Eastern Economist

Vol. 63 - 1974

Part II

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ECONOMIST

OCTOBER 4, 1974

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Strength for shipping

ON THE invitation of the government of India, a team of technical experts from Yugoslavia came to India in September this year and visited Haldia, Paradeep, Goa d other places in order to select a suitable site for locating a shipyard. This month echnical team from Britain is also due to come on a similar mission. The govern- nt of India, however, should be able to make up its mind on this issue without ther delay since already a great deal of time has been spent in assessing by Indian perts the merits of various sites for building a shipyard. In view of the crucial portance of shipping to the development of our foreign trade, the government should lp to acclerate the implementation of the expansion programme of the existing pyards, set up new capacity for building ships, and what is also equally urgent and portant, provide effective incentives to the shipping companies to augment their et and operate profitably.

The export policy resolution of the government of India, adopted in 1970, laid it emphasis on improving the shipping facilities. It declared that the government etermined to intensify its efforts to expand the national merchant marine, to le new services and strengthen the existing ones, and to secure fair freight nent for our export cargo. But this aspect of the export policy resolution also s to have received inadequate attention from the government. There has hardly any export seminar or workshop held in recent months at which exporters not voiced vigorously their grievances relating to the absence of shipping facili- of various types as well as the excessive and discriminatory freight rates.

A glaring instance of New Delhi's lack of realism in regard to the growth of shipping industry is seen in its approach to the development rebate. This was a v useful and effective incentive which greatly facilitated the expansion of the pping industry. But the government decided to withdraw this facility from the pping industry as well. The fact that shipping is a highly capital intensive istry, requiring substantial amounts of money for its expansion, was not properly preciated by the union Finance ministry. The shipping industry repeatedly represen- to the government of India that the withdrawal of the development rebate would iously cripple its capacity to expand rapidly and that the alternative of initial preciation would be only a feeble substitnte. Even the National Shipping Board mmended the continuation of the development rebate.

The government therefore has decided to extend the rebate for another year but oes not seem to realise that offering incentives in a half-hearted manner will only te uncertainty for the shipping industry and weaken its effort and enthusiasm to head with its schemes of expansion. Countries like Britain, Greece and Norway been able to expand their shipping industry vigorously mainly by the grant of ral incentives. New Delhi therefore cannot afford to be niggardly in this matter is serious in giving a big boost to export promotion.

The fourth five-year Plan had fixed a target for shipping at four million GRT 3.5 million GRT in operation and 0.5 million GRT on order at the end of the period. Against this target, the tonnage in operation and under construction was million GRT and about two million GRT respectively. It may be that the fourth 's target has not only been reached but even exceeded. But this should not give impression that we have been making rapid progress in shipping. The fact is that the bulk of our trade is in commodities like iron ore, foodgrains, fertilisers and pe roleum products, in the carriage of which the overall share of Indian shipping is y about 16 per cent. The present tonnage of Indian shipping is given in the le on the next page.

There is therefore an imperative need to strengthen the shipping industry so that it will be able to achieve the target in the fifth Plan of 8.6 million GRT. The government of India should sympathetically consider the financial difficulties of the shipping industry and create suitable conditions to enable it to plan its programme with confidence on a long-term basis. In his chairman's speech at the annual meetings of the India Steamship Company on September 19 and the Ratnakar Shipping Company on September 20 Mr. K. K. Birla made several constructive suggestions for giving a strong fillip to the expansion of the shipping industry. One of them was that the Shipping Development Fund Committee (SDFC) should be provided with sufficient funds so that it could disburse loans promptly.

The present practice of replenishing the SDFC by annual budgatary allocations has not worked smoothly since, due to the paucity of funds, it has not been possible for the shipping companies to secure loans at the appropriate time. The shipping companies have to rely heavily on the money available from the SDFC since the raising of foreign exchange loans has become more difficult because of the high interest rates and the need to repay them over a period of seven to eight years. Mr Birla said that the provision of Rs 243 crores in the fifth Plan to be advanced to the shipping companies inclusive of the spill-over provision of Rs 37.57 crores from the fourth Plan, and an additional Rs 10 crores provided for subsidising the cost of the concessional rates of interest on its loans, needed a careful review. Further, the relaxation of the debt equity ratio from 6:1 to 10:1 should be extended to all shipping companies.

Another suggestion made by Mr Birla related to the manner of disbursing the loan by the SDFC. He pointed out that, although the SDFC granted a loan to the extent of 90 per cent of the price of the ship, the amount was actually disbursed over a period of years. But the repayment of the loan starts immediately after the delivery of the ships with the result that, at any point of time, the actual maximum loan outstanding will only be about 50 per cent of the cost of the ship. This takes away the very benefit that is intended to be given to the industry. Mr Birla therefore suggested that the mortgage of the ship itself should be considered as a sufficient security for the loan guarantee.

Present Tonnage of Indian Shipping

	Coastal		Overseas		Total	
	No. of ships	GRT	No. of ships	GRT	No. of ships	GRT
As on April 1, 1973	59	201,182	201	2,453,257	260	2,654,439
Tonnage scrapped/sold	9	38,034	5	30,373	14	68,407
Tonnage transferred from overseas to coastal	3	26,340	3	26,340	..	..
Tonnage added	5	41,788	17	3,89,437	22	4,31,225
Tonnage as on January 1, 1974	58	2,31,276	201	2,785,981	268	3,017,257

An impediment to the rapid development of the industry is the stipulation by the government of India to the effect that when the companies decide to buy ships abroad they should place orders for a similar tonnage on the Indian shipyards. Mr Birla pointed out that with the order books full till 1978 in most Indian yards, the *pari passu* clause had become impractica to implement. Moreover, the existing capacity of the shipyards is also very limited. It is clear therefore that New Delhi has to do a great deal more to enable the shipping industry to develo on sound lines. Mr Birla said that M Raj Bahadur, while he was minister o Shipping and Transport, had given a impetus to shipping by his "dynami policy" and he added that Mr Kamala pathi Tripathi who is now handling thi portfolio "with his acumen, administrative experience, and foresight is ideall suited to further that policy with suc innovations as would help the shippin industry". It remains to be seen ho soon, and to what extent, Mr Tripath will be able to fulfil the high hopes tha he seems to have raised in the shippin industry.

Cloth to garments

SOON AFTER the last world war ended, India was briefly the world's largest exporter of cotton textiles. Although this was an accident caused by the dislocation or disruption of the economies of the leading cotton textile countries, Japan and the UK, which had been battered by the war, it did give India a vantage point from which it could have built itself up as a strong and durable contender for the top place in the world textile economy. It was clearly within the power of the Indian cotton textile industry to aspire for this ranking. War demands for cotton textiles had forced the industry to carry out an internal revolution of truly large dimensions within a period of three or four years. Although the machinery was mercilessly overworked, leaving the industry with heavy arrears of replacement or renovation to clea up, it had also been possible for the mill during this period to learn, under hig pressure, how to diversify production i response to new patterns of consumptio or maximize output from available capacity and, in the course of this learnin process, also earn relatively large profit some of which could in the future be use for modernization and expansion.

Unfortunately, in the years after independence, no clear view was taken b policy-makers in government of the challenges and opportunities facing this industry both in the home market an abroad. On the contrary, controls o prices and production were imposed in way which greatly discouraged further investment in the growth of the industry Worse still, there even came to be strong tendency to disinvest, in the sens that the reserves or other internal resources thrown up by war-time earnings, whic would normally have been invested in th

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ustry itself, were either being frittered ay or diverted to the setting up of er industries considered to have greater ances of functioning more profitably in e coming years and, above all, without racting the restrictive ministrations of e government.

Added to this was the thinking in tain influential political circles, butssed by the notorious proposition in e Mahalanobis' plan frame for freezing th production in the organized mill ctor during the second plan period for e supposed benefit of the decentralized xtile sector. The grosser advocacies of e plan frame were rejected, no doubt, t there still persisted obscurantist atudes supported by, among others, shortghted trade union leaders who successlly opposed in the fifties the introction of automatic looms. Coupled th the fixation of miserly targets of *r capita* consumption of cloth during ccessive plan periods, this policy posre effectively succeeded in frightening off th the potential and the performance the cotton textile industry in both mestic and foreign markets.

Thus it was that, although India had ored an export achievement of about 100 million metres of piecegoods in the ar 1950-51, it then started losing ground eadily in the face of the re-building and -emergence of the cotton textile indusy in Japan as a powerful force in the ternational trade in cotton textiles. Not uch later, Hong Kong, South Korea and iwan became powerful competitors for e world cotton textile business both in spect of the less expensive varieties and regards sophisticated fabrics. Although pan lost fast enough its comparative vantage in labour costs, its rapid adnces in cotton textile technology enabled for a long time to maintain its e-eminent position in the international ade in cotton textile manufactures.

It was only later as Japanese export oduction deliberately began to move er to steel, heavy machinery, electronics, tomobiles, chemicals and other techogically sophisticated manufactures, that pan began to emphasize less and less concern with cotton textile exports, a ange strengthened also by the rigorous practice of protectionism against Japanese textile imports by other countries including those which were industrially advanced. At this point Hong Kong, South Korea and Taiwan forged ahead in the international trade in cotton textiles while, during all this chopping and changing of patterns of the world trade in cotton textiles, Indian industry could barely manage to struggle at levels of exports much below what sound and farsighted planning could have helped it to reach. As a matter of fact, by 1958-59, exports of mill-made cotton piecegoods had declined to 517 million metres, but this was not by any means the end of the story. Even in 1973-74, when textile exports recovered sharply after a steady decline, the quantity of cotton fabrics shipped abroad was only 648 million square metres which, nevertheless, was a substantial improvement over the export figure of 387 million square metres for 1971-72.

It must be noted, however, that India had been building up a growing trade in the export of cotton apparel in recent years. The earnings from this source were less than Rs 2.7 crores in 1967-68, but they have been increasing steadily since, touching nearly Rs 14 crores in 1971-72 and about Rs 30 crores in 1972-73. There has been a big spurt in 1973-74 during which the export of cotton apparel has earned the country very nearly Rs 50 crores. It seems to us that, while exports of cotton textile fabrics would continue to account for the bulk of the earnings from this trade, India could expect a fairly fast rate of growth in the export trade in cotton textile garments.

Speaking at the all-India garment fair held in Bombay a few days ago, Mr P.N. Amersey, president of the clothing manufacturers' associations, made an important point when he said that this country enjoyed several favourable circumstances bidding for leadership in the world textile garment trade. As he pointed out, a strong and wide base has been established by the basic textile industry which makes not only a wide variety of cotton textile fabrics but also man-made textiles, both cellulosic and synthetic. This could be vastly helpful to the export drive in made-up garments since blended fabrics are enjoying a large demand the world over. Here it may also be noted that the more efficient cotton textile mills have been steadily improving the quality and sophistication of their fabrics keeping in view world trends in requirements of wash-and-wear qualities and changes in fashion in respect of designs, textures and other attributes.

As regards labour costs, our wages have been rising perhaps even faster than productivity but this situation could be remedied provided modernization and technological advances are undertaken in time and on an adequate scale. Meanwhile labour costs of competing Asian manufacturers have been rising even faster and this has resulted in Hong Kong, for instance, no longer enjoying any advantage in this respect. Hopeful too are the attitudes of the industrially advanced countries which, partly out of self-interest and partly on an enlightened view of international trade, are increasingly inclined to encourage and facilitate textile fabric and garment imports from developing countries.

The EEC in particular has been quite forthcoming, an indication of which is that the Indian cotton trade has now

EASTERN ECONOMIST
ANNUAL SUBSCRIPTION
INLAND : Rs. 100 FOREIGN : £ 10-00 or $ 25-00
Airmail & Advertisement Rates on Enquiry
Registered Office :
UCO Bank Building, P. Box 34
Parliament Street, NEW DELHI-1.

been persuaded that it could sell well enough in some European countries provided it could offer the right goods at the right prices in the right quantities and at the right time. Fortunately, this awareness has coincided with dynamic and even aggressive marketing efforts on the part of the garment industry and exporters.

It is true however that even as tariff or other trade restrictions on the import of textile manufactures from developing countries are being relaxed by industrially advanced countries, the latter are beginning to experience some recession in their economies. This has already begun to result in some resistance developing against imports into those countries and the international trade in textiles has started feeling the effects of this development. But, as Mr G.D. Birla, inaugurating the garment fair has argued, there is no need for our exporters to take fright; on the contrary, they should see in this development a challenge that could get the best out of them in terms of improving the quality of export goods as well as bringing down the cost of production.

At this point, however, what policies the government would follow for the textile industry in the immediate future could be very important indeed. The government has just passed an ordinance acquiring for public ownership 103 'sick' textile mills the management of which had been taken over earlier. While this act has the advantage of settling and perhaps stabilizing the future of these particular textile mills, it is to be hoped that the government will remind itself on this occasion that it is more important to avoid policies which result in mills falling sick than to invest public funds in the management or ownership of mills after they have become sick. It is highly important here that the priorities should be right.

First there is need to strengthen the foundations of the textile industry by vigorously promoting an improvement in the yield per acre of the cotton crop and ensuring that the size of the crop itself increases steadily. Secondly, since cloth prices have risen to a level where the sellers' market is rapidly disappearing within the country, it should be possible for the government to do away with production, price or distribution controls.

We are aware that there is a real social need for the output of popular varieties of cloth being increased so that prices are not driven up through shortages but we do believe that the freer functioning of the textile industry, with emphasis placed properly on increasing the availability of raw cotton and the creation of a climate which would favour mill management investing confidently in modernization and expansion, would lead to a proper balance between the pattern of production and the clothing requirements of the people. If necessary, however, there could always be a voluntary agreement for allotting a certain percentage of loom capacity for the manufacture of a few popular varieties of fabri provided the government does not al insist simultaneously on these varieti being sold at uneconomic prices; on the industry as a whole is permitted grow dynamically, it should be possib for whoever wants to buy these qualiti of cloth to do so at reasonable pric through the normal trade channels.

The government is quite properly kee on stepping up exports so that the cour try could pay for urgently needed in ports. For the sake of this praiseworth objective, New Delhi should realize tha an industry can perform well on the ex port front only when the government' policies are sound in their totality an helpful in keeping the industry in goo shape in terms of the home market a well.

Borrowing right and left

WITHIN BARELY one month of the floatation of loans by 16 state governments for an aggregate gross amount of Rs 226.59 crores and net borrowing of Rs 128.10 crores, 13 new state loans have been raised with a notified amount of Rs 75.25 crores*. Eight state governments have effected re-issues for Rs 60.50 crores while five small state governments, Himachal Pradesh, Nagaland, Manipur, Meghalaya and Tripura have asked for Rs 14.75 crores. The states have thus been helped to raise a record amount of Rs 218.40 crores against Rs 165.88 crores in 1973. The Reserve Bank is apparently determined to prevent the emergence of sizeable uncovered deficits in the state budgets for 1974-75 and an effort is being made to mobilise the maximum amounts possible through issues of open market loans.

It was obviously decided to stagger the borrowing programmes of the states as in the first tranche only 16 state loans were offered for public subscription on August 27, 1974 and all the loans were oversubscribed in two days. Every state government was enabled to accept subscriptions up to 10 per cent in excess of the notified amounts. Thus after repayin maturing loans for Rs 94.89 crores, a ne amount of Rs 128.10 crores was raised i the first stage. As the requirements o eight states were not fully met, and onl three states, Jammu and Kashmir, Har yana and Punjab raised larger net amount in the first attempt itself, reissues o earlier loans have been effected for th first time in the history of state govern ment borrowing in recent years.

The states now effecting reissues are Andhra Pradesh Rs 12.75 crores, Gujara Rs 1 crore, Karnataka Rs 6.75 crores Kerala Rs 1 crore, Maharashtra Rs 9.7 crores, Rajasthan Rs 2.25 crores Uttar Pradesh Rs 18.25 crores, and Tami Nadu Rs 8.75 crores. The five states o Himachal Pradesh, Manipur, Meghalaya Nagaland and Tripura are asking fo Rs 1.25 crores, Rs 3.25 crores, Rs 3.5 crores, Rs 5.25 crores and Rs 1.50 crore respectively. Tripura is coming on th market with a new loan for the first tim after it became a state. The deficiencie in net borrowing in respect of some stat governments has therefore been mad good through re-issues and in the fina tally eight state governments have bee allowed to raise larger net amounts wit eight other major state government being content with only more or less th same net amounts raised in 1973. Th five smaller states of course are raisin much as Rs 16.23 crores (including er-subscription) against only Rs 6.89 ores on the former occasion*.

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*Subscriptions to the 13 six per cent state loans 1984 have amounted to Rs 82.76 crores as against th notified amount of Rs 75.25 crores. Subscribers to all loans will receive full allotment.

The Reserve Bank has not bothered revise the basis of borrowing as all the ans carry interest at six per cent and ature after ten years. The issue prices ve been fixed uniformly at a discount one per cent. These were the same rms as applicable to the loans issued on igust 27, 1974, the list for 13 new loans the second tranche being opened on ptember 27, 1974. The absence of any ange in the terms of state loans is per- ps due to the fact that the Reserve ank is not engaging itself in open market erations in this class of securities and ere is no disposition to adopt a logical proach in respect of yields on new ans in relation to the interest rates evailing in other directions. It is gnificant that against a Bank rate of ne per cent, state loans are being offered t six per cent, while the scheduled com- ercial banks are charging as high as 5 per cent even in respect of fully cured loans.

The compulsion to invest large mounts in new loans and bonds of the entral and state governments and public odies with the maintenance of a higher quidity ratio, not to speak of the dis- bility arising out of a higher cash reserve tio, has been mainly responsible for nordinately high interest rates being arged by banks on advances to industry nd trade. The strain on the banking stem is bound to be felt severely as a sult of heavy borrowing by the govern- ents and public bodies. The states have lready secured for their share an addi- onal amount of Rs 45 crores. The public odies may also attempt to raise an extra s 25 crores while the central government yet to complete its target of Rs 700 rores for gross borrowing. It has still issue loans for a net amount of Rs 61.65 crores.

While the Industrial Finance Corporation is seeking to issue bonds for Rs 10 crores on the same basis as the state governments and other public bodies are expected to issue also their own bonds there is speculation in money market circles whether the central government will attempt to exceed the target for gross borrowing by at least Rs 50 crores. In that event, new loans will have to be issued for Rs 311 crores. This amount cannot obviously be raised in one stage before the onset of the 1974-75 busy season. It can at best be hoped to mobilise Rs 150 crores before the end of October and again effect reissues in December besides handing over some blocks of loans to the Reserve Bank for effecting tap sales.

The anxiety of the central government to avoid large-scale deficit financing on its own account and restrain also the state governments from using the overdraft facilities provided by the Reserve Bank beyond the stipulated amounts will necessarily create problems for the credit institutions. Even assuming that the Life Insurance Corporation and Provident Funds will be investing larger sums in new loans and bonds, can it be expected that these institutions will be in a position to subscribe additionally Rs 100 crores in 1974-75? As for the scheduled commercial banks, their ability to subscribe to new loans is dependent on the rate of growth in deposits and a reduced demand for funds from industry and trade and borrowers in the priority sectors.

An analysis of the trends in deposits and advances of the scheduled commercial banks in the first eight and a half months of 1974 shows that the Reserve Bank's new strategy will result in a considerably reduced availability of resources for other classes of borrowers. The increase in deposits of member banks in the first 8½ months has been only to the extent of Rs 1,086.77 crores against Rs 1,173.38 crores in the corresponding period in 1973 with advances rising by Rs 801.43 crores against Rs 685.41 crores respectively. The decline in growth in deposits in the period under reference as compared with the same period in 1973 was thus Rs 86.61 crores, while there was an increase in advances in 1974 by Rs 116.02 crores over the growth under this head in the same period in 1973.

With the need to raise additionally Rs 150 crores on central account before the end of October and a siphoning away of Rs 125 crores through state loans and bonds of public bodies, banks, the Life Insurance Corporation and provident funds will have to put up Rs 275 crores in September and October, mortgaging fully the fresh additions to resources of the Life Insurance Corporation and provident funds and a new growth in deposits of banks and even a portion of the contraction in advances of the latter. How then will it be possible for the commercial banks to reduce the outstanding amount under the bill market scheme by over Rs 50 crores and meet also the needs of the busy season at least in the earlier stages without being obliged to borrow heavily from the central banking institution?

The stringency in the money market will not therefore be relieved and the rate of growth in bank deposits can remain unaffected only if there are prompt payments against outstanding bills by the central and state governments. The Reserve Bank has to take full note of the new developments in the money market and formulate the credit policy for the new busy season appropriately. Any inflexible policy may have serious harmful effects especially as it is being already complained that the inability of the banks to provide larger credits to industrial units even for genuine purposes is hampering production.

Several units are reported to have experienced considerable difficulty in effecting tax payments because of a difficult ways and means position. It has also been not possible to effects sales of manufactured goods to the desired extent because of the difficulties encountered in finding funds for paying excise duties. The accumulation of stocks may well result in shortages in the open market and even compel the manufacturers concerned to reduce output if these accumulations have a recoiling effect. A stage has now been reached where the Reserve Bank has to take a correct overall view and decide about an equitable allocation of available resources, particularly as the banks are fully committed and fresh expansion of credits is determined by new additions to deposits and the facilities provided by the Reserve Bank by way of refinance and under the bill market scheme.

Subscriptions were as follows: Andhra Pradesh s 13.89 crores, Gujarat Rs 1.10 crores, Himachal adesh Rs 1.37 crores, Karnataka Rs. 7.42 crores, erala Rs 1.14 crores, Maharashtra Rs 10.73 ores, Manipur Rs 3.58 crores, Meghalaya s 3.88 crores, Nagaland Rs 5.79 crores, ajasthan Rs 2.48 crores, Tamil Nadu Rs 9.62 ores, Tripura Rs 1.66 crores, and Uttar Pradesh s 20.10 crores. All these sums will be accepted full.

Farm planning must not gamble on rai

C. Subramaniam

I AM happy to have this opportunity of attending a FAO conference after a lapse of several years. At the outset, I would like to express our appreciation of several initiatives taken by Dr Umali and his colleagues in furtherance of the accepted goals of agricultural growth coupled with social justice.

In the mid-1960s, I had participated in several FAO conferences and meetings, some of which related to the formulation of the Indicative World Plan. There was then much pessimism in the world about the capacity of the developing nations to increase food production at a rate which can keep pace with the increase in population. The Indicative World Plan was a bold attempt to develop criteria and indices for agricultural growth and to provide a data framework within which member-government of FAO could take appropriate policy decisions to promote rapid agricultural development and trade. Though recent events have shown that such Indicative Plans could become obsolete rapidly, the steps taken by FAO and national governments in the mid-sixties to focus attention on a technological upgrading of ancient agricultural systems, did succeed in getting agriculture to move forward.

breathing time

Towards the end of 1960s, there was much optimism about man getting at least a breathing time, thanks to the new agricultural technology in wheat and rice, for him to achieve stability in population growth. Unfortunately, the global weather disaster of 1972 has made even this breathing spell very short. Once again, Malthusian checks on population growth like hunger, famine, disease and conflict loom on the horizon as the means by which equation between supply and demand may be achieved on the food front. This is indeed a shame since during the last ten years we have seen a great technological explosion leading to unbelievable achievements such as landing of man on the moon and transferring genes from one species to another through what is called "plasmid engineering". We must find out what has gone wrong and try to reorient our priorities and programmes in such a way that we deploy our best talents and resources to overcome hunger and malnutrition. Evolutionary process, to judge by history, is such that species which do not learn to adapt themselves quickly to altered conditions of environment are likely to decay and perish.

Text of a speech on September 24 at the 12th Session of the Regional Conference of the FAO held in Tokyo.

A World Food Conference is to be held in Rome from November 5 to 16 under the auspices of the FAO.

I do not know how much scientific basis there is behind the various predictions now being made, on some likely changes in global weather pattern. It cannot be denied, however, that we have been witnessing in the last two years simultaneous weather aberrations over large parts of the globe. Even during this year, large parts of my country have suffered greatly either from floods or drought or delayed onset of monsoon or its premature withdrawal. Our neighbour, Bangladesh has also undergone great suffering due to floods. Even countries like United States and Canada, which have abandoned restrictive policies on the acreage under wheat in order to maximise output, have also had unfavourable weather in certain regions and are hence expecting less than the anticipated output. The Sahelian zone in Africa has undergone the greatest hardship owing to continuous drought for several years now. Fortunately this year, there has been some rain in some parts of this zone.

This brings me to the first major point I wish to make, namely, that reorient our agricultural dev strategy in such a way that ad for aberrant weather becomes ar part of the planning process. done in my country under the Coordinated Dryland Farmin has revealed that this, indeed, is Our scientists have been working such as "risk distribution ag which would help to minimise r ing bad weather and "crop l techniques", which would help the total destruction of a crop period of drought. I am happy FAO Regional Office along wi agencies had organized last n Bangladesh a seminar on the ment of deep water and floating tivation.

alternative strategies

I am aware that in parts region, typhoons, cyclones and are as important causes of instal food production as drought and We must develop alternative strategies for all such areas in c minimise the impact of such natu mities. In several flood-prone for example, in the Brahmaputra my country, the flood-prone unfortunately the major croppin If we are to develop the flood-fr into the major cropping season, w develop rice and other varieties cold tolerant and also arrange fo tion either by lift irrigation fron nial streams or from shallow It would be a tragedy if of all our scientific and tech advances and capabilities, to be silent on-lookers to of men, women and children goi out food and shelter year after y result of floods or drought. therefore, suggest to this confer we accord the highest priority i gion to the development of techn the elimination of factors causi undulations in production.

An equally immediate task is

o improve productivity. The "Limits o Growth" document estimates the minimum land requirement for producing the ood, clothing and other needs and for roviding shelter to one individual at 0.4 ectare (i.e. one acre). On this basis, we vill need many millions of hectares of and every year in our region to cater for he needs of the additional population dded during that year. In reality, however, due to the pressure of even the existng population what is happening is a radual withdrawal of land from agriculure for providing houses, roads, factories nd other needs. Forests are disappearng at an alarming rate. In other words, he additional needs of food should ereafter be met through a vertical growth n productivity and not through any large xpansion in area.

intensive cropping

However, some area expansion can be achieved through increasing the intensity of cropping by popularising multiple-cropping and relay-cropping techniques. In this connection, I would like to reiterate what Mr. R.S. McNamara, President of the World Bank Group, said last year at Nairobi and I quote, "If Japan could produce 6720 kgs. of grain per hectare on very small farms in 1970, then Africa with its 1270 kgs., Asia with 1750 kgs. and Latin America with 2060 kgs. per hectare have an enormous potential for expanding productivity". Since our meeting is being held in beautiful and prosperous Japan, it would be appropriate if with the help of our Japanese hosts we draw up a detailed strategy to raise within the next three years the average productivity level of the developing countries in our region to at least 50 per cent of that achieved by our host country. Only in this way will we be able to improve the real income of our rural population and provide greater opportunities for gainful employment. May therefore, suggest to the FAO Regional Organisation that they accord the highest priority to productivity improvement in both field crops and farm animals. In his connection, it would be useful to earn from the honourable delegate from Sri Lanka the experience gained in mplementing the Agricultural Producivity Law enacted by the Sri Lanka National State Assembly in 1972. Perhaps other countries of this Region would like to consider enacting similar legislation and setting up a suitable machinery for mplementation.

I am glad to see the emphasis given by the FAO Regional Office to integrated rural development. Historically, a rise in standard of living in the industrialized nations, including Japan, has taken place through a diversification of labour use resulting from a gradual withdrawal of labour from the routine operations of farming to more industrial pursuits. In retrospect, the Japanese programme of "taking power to people" (I do not refer to political power but to electricity and other forms of energy) has proved to be an act of great wisdom. It is the supply of energy that has rendered the development of agro-industries and the diversification of labour use in rural areas possible.

Today, we find ourselves in a difficult situation due to the escalation in the costs of petroleum products and due to uncertainties of hydel power in several countries including my own, caused by abnormal weather. For example, in my country, in the Punjab, which is our leading agricultural state, there is a setback to this season's rice crop due to the inadequacy of power to operate the tubewells. The water level in the Bhakra reservoir, which helps to generate a considerable quantity of electricity, and which irrigates the fields in Punjab is at its lowest point in its history. I am glad that the power needs of water utilisation are being discussed at this meeting. How are we going to provide the power and energy needed not only for irrigation but for the organisation of rural industries? We must address ourselves to this important question.

a marked feature

A marked feature of the mechanised agriculture of Europe and North America is the high consumption of energy derived from the non-renewable resources of the earth. For example, it has been calculated that while in India or Indonesia about 286 kilo calories of energy may be used to produce one kg. of rice protein, over 2800 and 65,000 kilo calories are used in the rich nations to produce one kg. each of wheat and beef protein respectively. Although agriculture is theoretically an efficient energy conservation and recycling system, it has become today another major consumer of non-renewable forms of energy. What pathway of agricultural growth can then the poor nations take, which will on the one hand help them to realise the great potential for improving productivity and on the other, make them less dependant on scarce, expensive and pollution-inducing forms of energy? This question needs to be faced by us squarely and new models of growth worked out urgently. Energy and protein supplies in the developed regions are well in excess of requirement and have continued to rise in the sixties. In contrast, as the US Journal "Science" pointed out in a recent issue, "To feed the people of India at the US level of about 3000 food calories per day, India will need more energy than it now uses for all purposes".

organic recycling

A recent analysis indicates that 32 per cent of the energy needed for producing one kg. of maize in the United States is contributed by nitrogenous fertilizer. This is in addition to the nitrogen coming from the air. We know that this quantity of nitrogen can also be supplied through the manure produced by one dairy cow or 84 chickens during a year. If efficient organic recycling procedures can be worked out, we can save 1.1 out of 1.9 million kilo calories of energy per year in a hectare of maize land. This is where bio-gas plants and energy plantations consisting of quick-yielding fuel trees assume such importance. Developing countries, which are not endowed with fossil fuels, can achieve the fulfilment of their agricultural goals only through mastering the principles of energy conservation and recycling. I am glad FAO is organising an expert consultation meeting on recycling techniques.

The FAO has warned that from 1975, a serious shortage of pesticides will hit developing countries even more than the shortage of fertilizers. Tropics and subtropics, blessed with abundant sunlight and green plants throughout the year, also provide environmental conditions favourable to pests. The pest problem is particularly serious during the humid, monsoon season, when much of the rice in our region is grown. How can this situation be successfully faced? Here again, the answer is only the development of locally relevant pest-management procedures based on principles of pest avoidance than of control. Unfortunately, an understanding of the role of non-monetary inputs in solving problems of this kind has not been wide. I would suggest that the FAO Regional Office may convene a special meeting soon to discuss the implications of the impending pesticide crisis and to stimulate the development and adoption in the different ecological regions of an integrated pest management system, involving an appropriate admixture of agronomic, genetic, biological and chemical methods of control.

There is need for a continuous search for technological approaches which are relevant to specific agro-ecological and socio-economic milieu. For example, during the monsoon period, there is a considerable loss of nutrients due to leaching. Our scientists have found that such losses of valuable nutrients in crop fields can be minimised by mixing fertilizer with neem cake, derived from the seeds of neem tree. It is this kind of local solutions to local problems that we must increasingly seek and spread.

problems of rice

Rice is a major crop in our region. Soon after it was founded, FAO organized an International Rice Commission in order to promote the growth in rice output in Asia which grows more than 90% of world's rice. The International Rice Commission after a careful study of the factors responsible for the stagnation in the field of rice in monsoon Asia, came to the conclusion that what the *indica* rice varieties lacked is the character of fertilizer response present in *japonica* varieties. This analysis led to the *indica-japonica* hybridization programme sponsored by FAO in 1952 with its headquarters at the Central Rice Research Institute at Cuttack in my country. We had made a large number of crosses between *indica* rice varieties from different countries in this region and *japonica* rice varieties from Japan. This programme was started with great expectations but, unfortunately, due to a variety of reasons many of these expectations were not fulfilled. It was, therefore, a matter for happiness when Taiwan discovered the fertilizer-responsive dwarf *indica* types and when the International Rice Research Institute in the Philippines propagated this kind of rice from about 1964. The dwarf *indica* was soon christened as "Miracle" rice by mass communication media and it was hoped that it would help to improve rice production and productivity speedily.

Our earlier hopes of bringing about revolutionary improvements in per acre yields of rice in our farmers' fields through introduction of "Miracle" seed varieties, have not been fully realised, except in certain non-traditional rice areas and in non-traditional rice-growing seasons. We must examine critically as to why the high-yielding rice varieties have not been able to make the anticipated impact during the major monsoon in most of our regions. I know that there is no single simple answer to this question; but the reward for studying this problem critically and taking corrective steps is certainly very high. Pests like brown and green plant hoppers, which transmit dangerous virus diseases, are becoming serious in our region. What is often forgotten is that a high-yielding environment resulting from a better plant population and improved supply of nutrients and water, is also conducive to the multiplication of pests and pathogens. Eternal vigilance is hence the price of agricultural progress.

I firmly believe that given the political will and technological and resource backing, we can make a frontal attack on the rice yield dilemma in monsoon Asia. What we need is concrete action programmes tailored to specific locations and situations. In my country we have taken up during this year a few operational research projects based on a watershed to introduce the new rice technology involving, scientific water and pest management and nutrient supply. Under conditions of small and fragmented holdings, the introduction of these techniques involves the generation of some degree of community endeavour among farmers. Therefore, social scientists, agricultural scientists and extension workers will have to work together in order to bring about a proper match between movements in science and in society. If attention is not paid to social factors and to the problems of management of small farms, we cannot make the technology yield beneficial results.

animal productivity

I am glad that FAO Regional Office has taken active steps to improve animal productivity in this region through the development of disease-free zones. What is equally important is a major programme in inland and coastal aquaculture. For too long, our peasants and fishermen have been concentrating only on capture fishery. They should now be introduced into the art and science of culture fishery. There is a tremendous scope for this and I am happy to learn that the Consultative Group for International Agricultural Research is planning to sponsor a large-scale training and research programme on aquaculture in our region. We need massive training programmes as well as arrangements for the breeding and distribution of fish fingerlings. Activities of this kind covering not only fishing, but also animal husbandry, farming, and horticulture call for the organisation of integrated supply of physical inputs and services to the farming community. In this connection, I wish to commend to you a report of the National Commission on Agriculture in my country on the development of integrated farmers' service societies. The major aim of such societies is to provide credit in the form of the needed inputs and services, with particular reference to the needs of small farmers commanding limited resources of their own. Every package of economically viable technology will have to be matched by appropriate packages of services and of public policies.

world food conference

Before I conclude I wish to make a few remarks on the forthcoming World Food Conference.

In the First World Food Congress held in the United States in 1963, the Late President Kennedy said that "we have the means and know-how to eradicate hunger and malnutrition from the world within our life time; what we need is the *will*." In the Second World Food Congress held in the Netherlands, the Director-General of FAO, Mr. Boerma, said that the time for words has gone and what we need now is "Action". In all international forums including the UN General Assembly, resolutions have been passed from time to time on problems of hunger, protein-calorie malnutrition and its impact on children and pregnant and lactating mothers and on the need for a new international economic order. An UN Panel chaired by me had made concrete suggestions for eradicating protein-calorie malnutrition from the vulnerable sections of the population. Lord Boyd Orr had proposed nearly 30 years ago that a way should be found for achieving a rational and human world food budgetting. A Food Aid Convention was signed in 1967 and renewed in 1971 and the World Food Programme of FAO, which aims to undertake emergency feeding projects and to assist economic and social development in developing countries, is now in the 11th year. FAO has also been formulating a proposal for ensuring a minimum level of world food security and for international action to assure adequate basic food stocks.

We are now in the second UN Development Decade. By every major economic and social yardstick, the conditions of poverty and malnutrition have worsened during such "development decades" in many developing countries. Trade patterns have also often gone against the interests of poor nations. The FAO concept of agricultural adjustment remains primarily on paper. As pointed out in one of the Conference documents, the average annual rate of growth of agricultural production in the developing countries of our region has been only 2.6 per cent during the last 13 years, far below the target of four per cent. The time has, therefore, come to ask ourselves, "What has gone wrong with the pattern of development and international action sponsored during the last 25 years? Why is it that despite all the efforts of the United Nations and its specialized agencies like FAO, UNICEF, WHO, etc., there has been increase in hunger, poverty and want?" The World Bank has calculated that about 800 million people are living today under conditions of absolute poverty and that these people neither partake in nor benefit from developmental activities. Why has such a large segment of the human family been bypassed in this manner? Why is it that while the people of the affluent nations have forgotten the significance of the prayer: "God, give us our daily bread", to over half of the human population, to quote Mahatma Gandhi, "God is Bread"?

The forthcoming World Food Conference is different from the earlier ones inasmuch as the sponsorship of this conference is based upon a resolution of the non-aligned nations held at Algiers last year and on a suggestion made by the US Secretary of State at the UN General Assembly. The conference is appropriately being held under the auspices of the United Nations where countries like the USSR which are not yet members of the FAO are also members. Therefore, this conference is ideally placed for providing the political will to eradicate hunger and poverty. The prime minister of India, Mrs Indira Gandhi, pointed out at the UN Conference on Human Environment held at Stockholm in 1972 that poverty is the greatest pollutent of humanity. May I venture to suggest that the Ministers of Agriculture from Asian countries present here perhaps get together informally and discuss methods by which the three objectives of the World Food Conference, namely, improving food production, organizing a minimum world food security and developing a system of rapid food aid, could all be achieved.

In my view, the coming World Food Conference offers probably the last chance to 20th century man to generate the required will, resources and effort to both increasing food production and achieving equitable distribution, before we are overtaken by hunger and suffering of unprecedented dimensions. The Imperial valley in California and the Jordan valley in Israel, which were formerly regarded as hopeless deserts, as well as our host country provide proof of what can be accomplished by integrating capital, technology and social organisation. Hence, the World Food Conference will have meaning and purpose only if the developed and oil-rich nations can commit substantial quantities of food, energy, fertilizer and other inputs for removing hunger and promoting agricultural growth. The Asian farmer has exploded the myth that he is not receptive to new ideas and technology. Are we ready to help him?

Medicines for millions

V. Ramamurti

AT ABOUT this time last year serious shortages of the several essential commodities and raw materials began to develop in the country. But no shortage of essential drugs was then in evidence and the pharmaceutical industry in Bombay, where the bulk of that industry is located, was justly proud of this salutary trend. The situation has since changed almost imperceptibly and the drug shortage that has surfaced in recent weeks threatens to become widespread. As many as 40-and-odd drugs used in the treatment of a wide range of diseases are now in short supply, primarily because the vital raw materials required for their manufacture have not been available in adequate quantities. The more important of the bulk drugs in shortage are Tetracycline, Streptomycin, Chloramphenicol, Analgin, Aspirin, Phenacetin, and Vitamins C, B_1, B_2, and B_6. Glycerine, Sorbitol, Alcohol, Iodine, and Nitric, Citric, Sulphuric and Tartaric acids are some of the more glaring instances of raw materials in short supply.

The single biggest factor responsible for the shortage of raw materials is canalisation of their imports through the STC. The items canalised number 36, and the imports of many of them have been neither adequate nor timely. It is true the oil crisis has worsened the chemical raw materials position in the world markets. Restricted supplies and much higher prices are the order of the day everywhere. These are no doubt extenuating circumstances, but they do not serve to set at rest the industry's doubts whether the STC, as a bulk buyer, could not have adopted a more aggressive purchase policy in the world-wide scramble for basic chemicals.

A suitable purchase policy based on anticipation of chemical shortages—of which the world was forewarned about two years back—might have helped despite the inherent limitations of a bureaucratic state trading agency with its relative lack of expertise in the workings of the sophisticated chemical markets abroad. This has not happened, with the result that the public sector IDPL, which allocates to domestic pharmaceutical manufacturers the raw materials and some bulk drugs imported by the STC, has partially failed in its role of distribution. The IDPL has likewise partially failed in its role of manufacture, too, as it has been working far below rated capacities in respect of such bulk drugs as Analgin and Tetracycline.

In sum, some of the raw materials and drug intermediates that have necessarily to be imported to maintain production of several bulk drugs have been in short supply—a situation worsened by the fact that the government has been allocating raw materials to the organised sector of the industry on the basis of its consumption of such raw materials in the past two years. As this policy of allocation has not provided for the requirements of future growth, the organised sector which accounts for about 80 per cent of the country's pharmaceutical production is finding it more and more difficult to meet the rising demand for drugs. Besides, inadequate imports of those bulk drugs which are being produced in insufficient quantities in the country at present have also set limits to formulations manufacture and thus to the availability of medicines for final consumption. It is not surprising, therefore, that specific instances of drug shortage are increasing day by day.

This atmosphere of shortage, incidentally, has been anticipated by some anti-social elements who have taken to the apparently lucrative business of manufacturing and distributing spurious and often injurious drugs. The latest instance of the menace of spurious drugs relates to the discovery in Bombay of tens of thousands of Tetracyline capsules containing not the genuine medicine but only turmeric powder. There have been reports earlier this year of spurious drugs causing deaths in some cases. The heavy toll of human lives taken by spurious glucose saline which was intravenously administered to patients in a Kanpur hospital is a most livid instance in point. A number of deaths have also been caused in Tamil Nadu by administration of preparations containing a toxic substance. There have been lately several other disquieting reports of spurious drugs in the market. The organised sector of the industry is therefore appalled by the threat that fake drugs pose not only to public health but also to public confidence in modern medicine.

industry's stand

Viewed against this background of growing drug shortages that provide a tempting atmosphere for racketeers in spurious drugs, the basic stand of the industry that an overriding policy consideration should be adequate production of high-quality drugs is unexceptionable. What emphasises the need for 'adequate production' is the ambitious Health Plan which calls for a near-doubling of drug production, in terms of value, from the present annual level of about Rs 350 crores to Rs 600 crores of formulations (including the value of bulk drugs used in them) in 1978-79, the end-year of the fifth Plan. This, in turn, would require a 100 per cent increase in capital investment from Rs 225 crores to Rs 450 crores; a nearly four-fold increase in basic (bulk) drugs manufacture for formulations from Rs 50-60 crores to Rs 150-200 crores; a seven-fold increase in Research and Development (R & D) outlays from Rs 5 crores to Rs 35 crores: and a three-fold increase in exports of pharmaceuticals—from Rs 11 crores to Rs 30 crores —to broadly match imports of critical raw materials and intermediates. As the industry has thus to grow in the next five years just about as much as it did in the past 25 years—its production in 1948 was valued at no more than Rs 10 crores—, it continues to urge that it should be encouraged to maximise production in all possible ways.

The principal elements of a appropriate policy suggested by the industry are briefly told. First and foremost is the plea for a fresh look at the various restrictions and controls on units wanting to expand, particularly on those belonging to the large-scale sector. Two other elements relate to the need for ensuring adequate supply of essential raw materials at the right time and at reasonable prices to maintain and increase production and for evolving a stable and fairly long-term pricing policy for bulk drugs and formulations.

brand names

On the question of abolition of brand names the industry's stand is forthright. It is against any move in this direction on the ground that abolition of brand names could lead to a situation in which both the physician and the patient would be denied the quality assurance that goes with a brand name and the manufacturer deprived of the incentive to make high-quality drugs which are vital for health and medical care. If the manufacturer's guarantee of quality and efficacy, which the use of a brand name signifies, is taken away, the government will have to step in to fill the void by assuming the responsibility for assuring the quality and efficacy of all drugs marketed under generic names. This is a responsibility which the Drugs Control Organisation at the centre and in the states is in no position to assume, considering that it is far too inadequate and ill-equipped even for effective routine supervision. Abolition of brand names, it is feared, might also aggravate the threat posed by spurious drugs.

The other elements of the policy canvessed by the industry are that the public sector units, in which Rs 60 to 70 crores have been invested so far, should utilise their installed capacities to the maximum, that these units should concentrate on basic research, manufacture of bulk drugs not produced in the country, and import substitution work and that no monopoly in the manufacture of any item should be allowed for the public sector. The industry has urged further that no other drugs should be added to the list of canalised drugs, and that no unrealistic export conditions should be imposed on units wanting to expand or establish new basic manufacture as promotion of exports to the highly competitive international markets is an expensive and long-term operation.

The industry's stand *visa-vis* small-scale drug units is that their role in certain fields in which they have definite advantages—fields relating to the manufacture of some pharmaceutical aids, excipients, intermediates, raw materials and packaging materials, and certain types of pharmaceutical machinery and components—could well be expanded. Their role in the manufacture of bulk drugs and formulations should not be exaggerated. For, even if the small-scale sector were to double its production of formulations and increase its production of bulk drugs ten-fold (which is doubtful), it would account for only Rs 100 to 120 crores worth of formulations and Rs 50 crores worth of bulk drugs which would meet no more than one-sixth of the country's requirements of formulations and one-fourth of the requirements of bulk drugs. In other words, the country would still have to depend on the large-scale sector for meeting over 80 per cent of its requirements of medicines. Any restrictions that may impair the ability of the large-scale sector to produce drugs on that scale are therefore fraught with grave consequences for the health of the nation. 'Drugs for the Millions' will then prove to be an elusive or ever-receding goal.

pragmatic approach

This, in brief, is the approach of the pharmecautical industry to issues of policy relevant to its further growth and development. It strikes one as fundamentally sound and pragmatic. But the organised sector of the industry—a sector which has been rendered most dynamic and efficient by foreign collaboration—should have no illusions about the soundness of its stand being readily and widely recognised. What it has to contend against are not only chauvinistic nationalism and emotional hangovers of the country's anti-colonial past but widespread ignorance of the special characteristics of the pharmaceutical industry and an unrealistic preference for small-scale enterprise.

To acknowledge generously the role of foreign collaboration in the rapid development of the pharmaceutical industry since the fifties would mean an end to nationalist prejudice. If the UNIDO has adjudged that India's pharmaceutical industry has now attained a level of operation comparable to international standards in production, technology and the quality of its products, it is because international collaboration has played a key role in the growth and development of the industry in the era of planning. A better understanding of the special characteristics of the industry would also make for the promotion of a positive climate for its further rapid growth over the fifth Plan period and beyond. These characteristics are that the industry, by the very nature of its operations and of its products, is international in character because diseases respect no national boundaries and the search for new knowledge and new chemotherapeutic agents to combat disease and relieve human suffering are international in scope and coverage: and that the industry, being science-based and research-oriented to a greater extent than many other industries, is subject to a high rate of technological and product obsolescence in the wake of introduction of newer technologies in production and newer products in therapy, thanks to the high tempo of research activity and innovation in the industry.

Another characteristic is that the industry attaches the utmost importance to the quality of its products as these impinge on the health and, sometimes, the very life of patients. Yet another characteristic is that pharmaceutical promotion is unique in that it involves dissemination of essential medical information to doctors in special ways. Given a better understanding of such characteristics and a surer realisation of the limitations of small-scale units on the quality control side, a fairer deal for, and a more imaginative handling of, the industry should follow as a matter of course. Such a result would be in the lasting interests of the nation as medicines for the millions are no less essential than food or cloth for the millions.

Impact of a reopened Suez canal

Jossleyn Hennessy

THE SUEZ Canal's re-opening expected in the near future will have an impact on shipping, particularly of oil, but also of dry cargo. Facts, figures and estimates are contained in the newly published OECD Maritime Transport Committee's Annual Report, which discusses international shipping policies and recent trends and prospects in shipping demand and supply, of which a re-opened Suez Canal is one factor.

The development of world shipping up to 1973, by main commodity groups, is shown in Chart A (p. 606). Oil, iron ore and coal account for about 80 per cent of world sea transport requirements in ton-miles. Imports of these commodities into three major OECD regions (North America western Europe, Japan) represent more than two-thirds of total world shipping demand (western Europe alone accounts for 41 per cent). Oil imports are of overriding importance; the three OECD regions themselves account for 56 per cent of total shipping demand (Table I).

In 1966, about 18.5 per cent of all international oil tonnage shipments and 8.1 per cent of dry cargo passed through the Suez Canal. Northbound oil made up 86 per cent of total movements through the Canal Chart B (p. 607). In addition, among the ships passing through the Canal, there were 4,470 southbound tankers in ballast with a total tonnage of 211 million dwt (deadweight tonnage). In 1966, virtually all tankers operating westward out of the Persian Gulf could pass through the Canal in ballast on the return trip and the Canal Authority was preparing to receive 200,000 dwt vessels in ballast by the end of 1967, as well as fully laden tankers of up to 60,000 dwt. However, before this could take place the Suez Canal was closed.

Since the Canal's closure, the pattern of world oil movements has changed considerably and tanker sizes for westbound movements for the Persian Gulf have increased dramatically. In 1972, roughly 85 per cent of total crude oil movements from the Persian Gulf to North America, Europe and Mediterranean destinations moved in vessels over 60,000 dwt and 45 per cent in vessels over 200,000 dwt.

Re-opening the Suez Canal would reduce the length of three of the principal oil transport routes by as much as 30 to55 per cent, as shown in Table II (p. 606).

If, in 1972, all crude oil carriers up to 60,000 dwt on these three routes could have used the Canal **in both directions** and all ships under 200,000 dwt **on the ballast leg**, the round trip would

TABLE I

The Importance for World Shipping of the Main Regional Bulk Commodity Imports, 1972

(in per cent of total shipping demand measured in ton-miles)

	Oil imports	Iron ore imports	Coal imports	Total oil/ ore/coal
Japan	11.8	5.2	2.3	19.3
Western Europe	37.4	2.2	1.0	40.6
North America	7.2	0.5	—	7.7
Main OECD Regions	56.4	7.9	3.3	67.6
All Others	11.2	0.9	0.1	12.2
Total oil/ore/coal	67.6	8.8	3.4	79.8

Source: Derived mainly from Fearnley and Egers Chartering Co. Ltd. and BP Trading Ltd.

have been about 3,000 instead of 4,800 million ton-miles. A saving on this scale would have corresponded to roughly 10 per cent of total inter-regional oil transport in 1972.

TABLE II

Approximate Shipping Distance via Cape and via Suez Canal

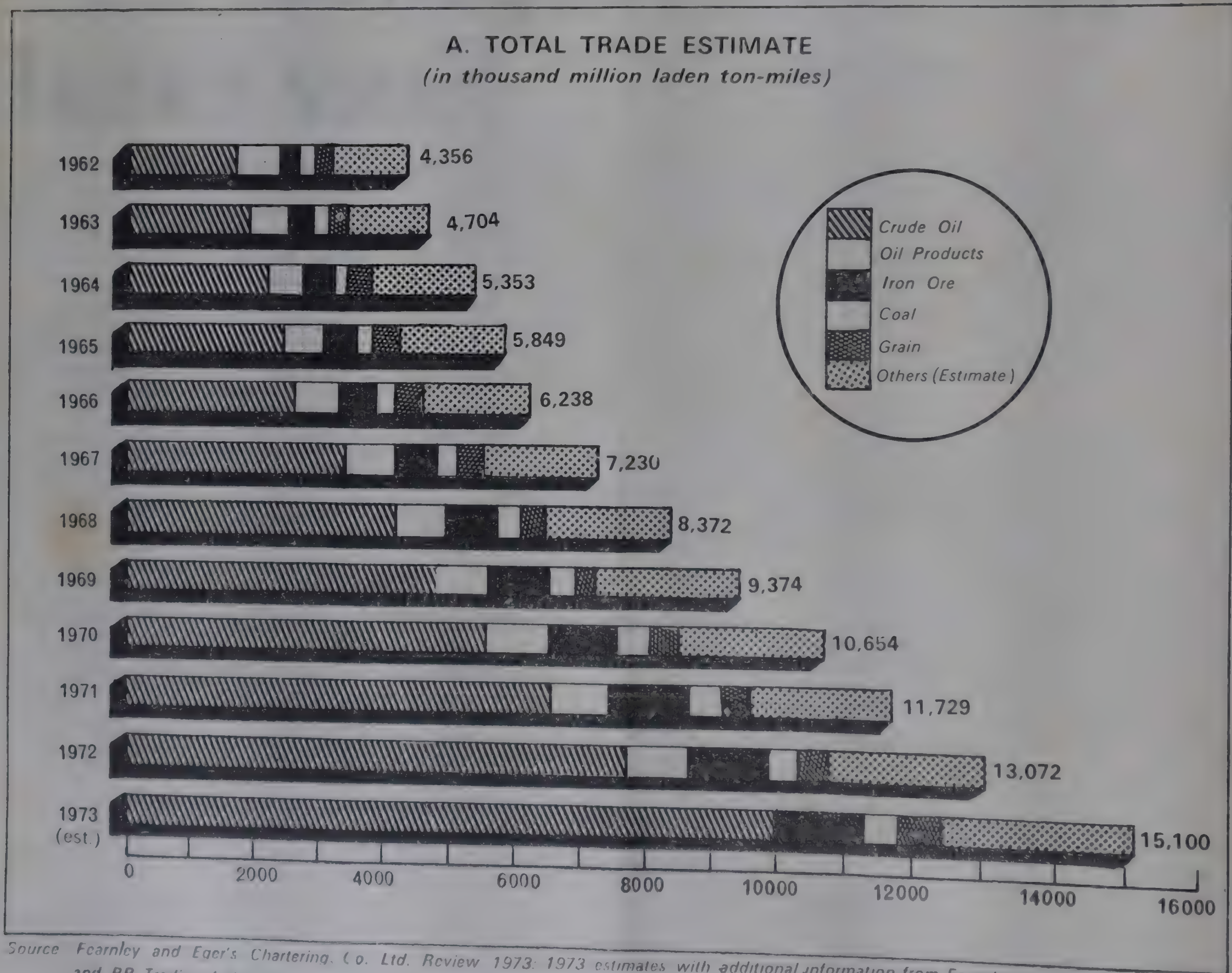
(in nautical miles)

Persian Gulf to	Via Cape	Via Canal
Mediterranean	10,800	4,700
North-west Europe	11,100	6,400
US East Coast	12,000	8,300

Thus the possible impact on oil shipping demand of a re-opened Suez Canal, according to the OECD Maritime Transport Committee's report, cannot be ignored, despite the increase in the size of ships which has taken place over the last seven years. The actual impact will depend on numerous factors apart from the capability of the Canal to accommodate laden vessels of 60,000 dwt and vessels in ballast of up to 200,000 dwt.

The future volume of oil shipping using the Suez Canal will not only be determined by capacity limitations, but will also depend, among other things, on the levels of Canal dues, freight rates and bunker (ship fuel) prices, which more than trebled between October, 1972, and January 1974. The report of the Maritime Transport Committee contains a special section on the effects of these changes on future shipping supply. Higher bunker costs, as compared with conditions prior to the Canal's closure, will in fact tend to make the Canal relatively more attractive.

In 1966, about eight per cent of all



A. TOTAL TRADE ESTIMATE

(in thousand million laden ton-miles)

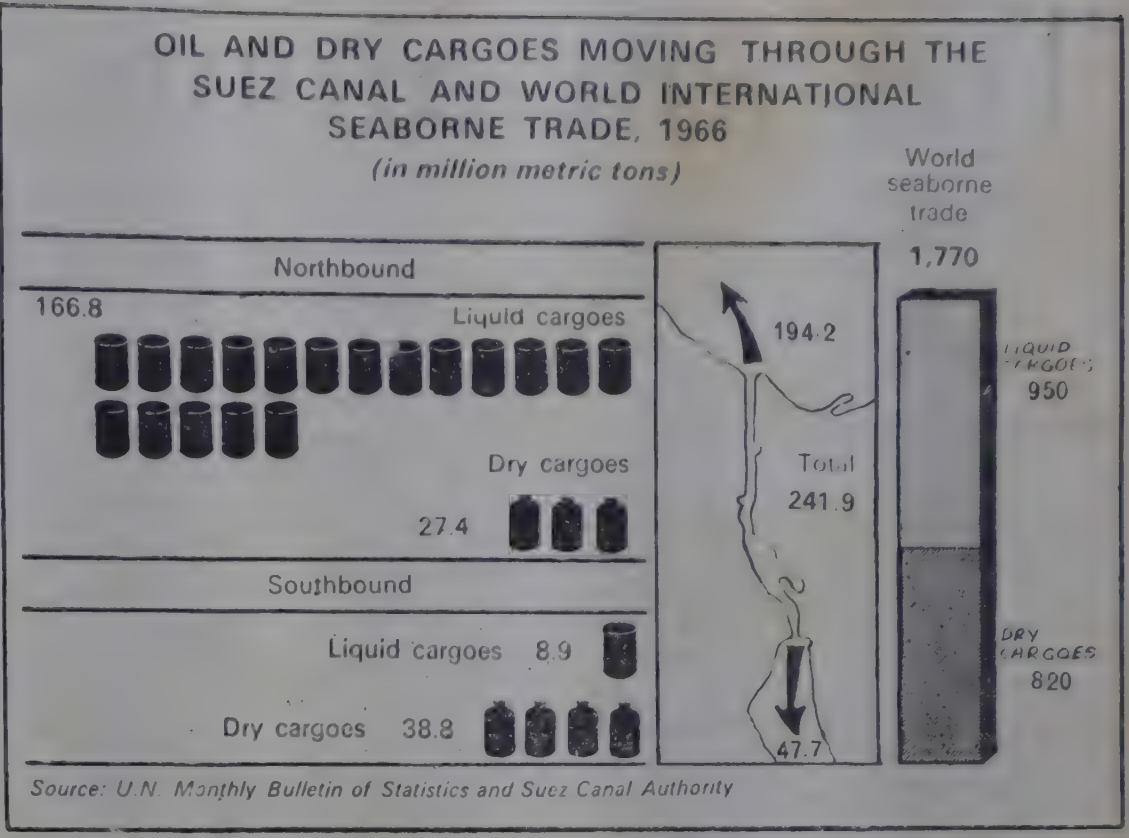
Source: Fearnley and Eger's Chartering Co. Ltd. Review 1973; 1973 estimates with additional information from Fearnley and Eger and BP Trading Ltd

* Crude Oil and Oil Products

world dry cargo tonnage movements passed through the Canal. Potential dry cargo movements for 1970 through a theoretically re-opened Canal have been estimated by UNCTAD at eight per cent of total dry cargo tonnages a figure confirmed by OECD's own estimate, based on detailed statistics involving some 70 per cent of international dry cargo movements for the same year.

Among the principal dry cargo commodities using the Canal in 1966 were fertilizers, particularly phosphates. Southbound movements included 2.5 million tons of phosphate rock, close to 10 per cent of the world phosphate rock trade, and total southbound fertilizer shipments through the Canal were 6.7 million tons or 17 per cent of southbound dry cargoes.

Fertilizers could undoubtedly play an important role again if the Suez Canal were re-opened; eastbound phosphate shipments from Morocco and Tunisia would benefit especially. Other important bulk trades which could benefit from a re-opening of the Canal, include, for example, iron ore from Australia to southern Europe. The Canal shortens this route by about 30 per cent.


OIL AND DRY CARGOES MOVING THROUGH THE SUEZ CANAL AND WORLD INTERNATIONAL SEABORNE TRADE, 1966

(in million metric tons)

Source: U.N. Monthly Bulletin of Statistics and Suez Canal Authority

TABLE III

Total Trade Estimate : 1962-1973

(In thousand million laden ton-miles)

Year	Crude oil	Oil products	Iron ore	Coal	Grain	Others (estimate)	Total
1962	1,650	650	314	170	272	1,300	4,356
1963	1,850	600	348	202	304	1,400	4,704
1964	2,150	620	456	199	378	1,550	5,353
1965	2,480	640	527	216	386	1,600	5,849
1966	2,629	700	575	226	408	1,700	6.238
1967	3,400	730	651	269	380	1,800	7,230
1968	4,197	750	775	310	340	2,000	8.372
1969	4,853	760	919	385	307	2.150	9,374
1970	5,597	890	1,093	481	393	2.200	10.654
1971	6,554	900	1,185	434	406	2.250	11,729
1972	7,670	950	1,156	442	454	2,400	13,072
1973 (est.)	9,990	—	1,365	470	575	2,700	15,100

If and when the Canal is re-opened—and, above all, if Canal dues are fixed so as to make transit an economic proposition for all dry cargo ships which could save substantially on voyage distance and time—demand for dry cargo shipping might well be reduced by about five per cent within a fairly short period.

The corresponding 10 per cent figure for oil shipping demand is merely illustrative of possible developments. It could probably be reached only after a certain time, but it might even be exceeded if the facilities of the Canal were such as to give an incentive for again modifying the size of vessels transporting oil between the Persian Gulf and Europe—this time by smaller ships which could use the Canal fully loaded and/or in ballast.

WINDOW ON THE WORLD

Tourism around the world

London

Jossleyn Hennessy

I

Many Facetted Sectors

TOURISTS SPENT an estimated $28,000 million around the world in 1973. This is big business. It is also a complex business because of the number of activities and concepts that it covers. Its growth, facilitated by the speedy development of hotels and transport facilities—especially air transport—has gathered pace throughout the postwar period, averaging a 12 per cent annual rate of increase.

The word "tourist" was coined in Britain in 1800 and the first recorded use of "tourism" was in 1811. For a long time, the meaning of both words remained vague, but a definition had to be found if statistics were to be collected on the size of the market. In 1937, the League of Nations defined a foreign tourist as "any person visiting a country, other than that in which he usually resides, for a period of at least twentyfour hours, for any reason other than following an occupation remunerated from within the country visited". In 1963, the UN drew the distinction between the tourist and the excursionist (the latter staying less than twentyfour hours outside his country) and used the general label "visitor" to cover both kinds of traveller.

Although these definitions can be used togather statistical data, they do little to distinguish between rhe reasons underlying travel. In the first instance there is a difference between urban and other forms of tourism. Clear examples of the first type are Venice, or any of the great capitals (26 per cent of the total tourist nights in Portugal last year were spent in Lisbon). Non-urban tourism has many aspects. The seaside, mountains, or the countryside may be visited for different reasons.

The purpose of pleasure travel may be relaxation in a different environment, and the means used may range from a package tour, outdoor camping, residence in a hotel, or the rental or purchase of independent accommodation.

Health travel is another form of tourism obviously centred on spa facilities. The list also includes pilgrimages or spectator attendence at sporting events, and cultural travel intended to deepen the tourists knowledge of a country's art and civilisation.

Business travel mushroomed in the form of attendance at conventions and short missions to national and international conferences, where the seriousness of the proceedings is tempered by extracurricular activities of an altogether different nature (the last meeting of the International Monetary Fund in Nairobi offered a safari as a side benefit!). In the USA business tourism provides 45 per cent of hotel takings. These receipts are independent of participants' personal income, or the climate and geography of a city, but they do call for special welcome arrangements and organised facilities.

The various types of tourism naturally interpenetrate, and the overall figures must be interpreted with care. In reality they are no more than estimates, compiled in different ways in different countries, and often in different ways in the same country at different times. At all events the economic and social importance of tourism has led both receiving and source countries to assign responsibility for it to specially designated bodies.

Most countries treat tourism as an independent economic sector. Its administration may be centralised as in Turkey or Spain, which have a full scale ministry of Tourism, or de-centralised as in Italy or more particularly, in Yugoslavia, where the government has evolved responsibility for it to the individual republics. In Sweden, a new tourist authority is to be set up next year to replace the present State Tourism Commission which is part of the ministry of Agriculture. In all countries, the objective of the tourist authorities is to collect relevant information and to formulate policies. which may range from developing the tourist assets of certain regions to prospecting foreign markets to increase the inflow of visitors.

II

The Main Tourist Flows

OECD's Tourism Committee estimates that tourist arrivals rose from 25 million in 1950 to 215 million in 1973, of whom 75 per cent were visitors to OECD countries. Five per cent of the world's population travels annually, a small figure yet five times the proportion twenty years ago.

Most tourists are from the industrialised countries and almost two-thirds originate in eleven countries: USA, UK, France, West Germany, Canada, Benelux, Italy, Switzerland, Austria and Sweden. The USA outstrips the others, accounting for almost 20 per cent of the world total, although the share of the US population travelling abroad is lower than the corresponding figure for Canada, Switzerland, Belgium and the Netherlands. Until five years ago, few Japanese travelled, but last year there were over 1,000,000 Japanese tourists, 45 per cent more than in 1972.

Europe has long been the main destination; it receives three out of every four international tourists, almost 75 per cent of international travel, compared to 16 per cent who go to North America.

A mere three per cent of the traffic goes to Latin America and the Caribbean and one per cent to Africa.

The political situation affects the rate of tourist flow to West Asia: arrivals dropped by 25 per cent in 1967, and it was four years before the 1966 level was reached again. I surmise that when the figures for 1974 are compiled they will show a severe drop. Tourists don't like guns going off around them.

The regions which at present account for the smallest share of the world's tourist trade are also those which are increasing their markets fastest: at an annual average rate of 15 per cent for Asia, Australia and west Asia compared to seven per cent in Europe and America.

Tourists seem to prefer countries offering a combination of such features as sunshine, sea, beaches and architectural distinction. The Mediterranean countries have these assets and they reap 30 per cent of the annual tourist harvest. Several countries are so located as to attract stopover visits of less than 24 hours en route to another destination. France and Italy are examples. Italy also has a large excursion traffic, with 20 million short trips in 1972 accounting for 57 per cent of total frontier crossings. This last figure was 62 per cent for Canada and 44 per cent for Cyprus, but only 12 per cent for Japan.

excursion trips

The substantial number of excursion trips is mainly recorded between neighbouring countries. Portugal, which is classified as a Mediterranean country, received four million visitors in 1972, of whom half were Spanish arrivals, only seven per cent stayed in hotels, inns or camps; the remainder were day trippers. The opposite position exists in north Africa, where most visitors come in by plane for a long holiday stay. In Tunisia, German, English and French nationals alone account for 60 per cent of tourist arrivals and 70 per cent of tourist nights.

Despite the substantial numbers of persons travelling, the average length of stay in a country is often short: 12 days in Greece, five in Italy, eight in Portugal, less than nine in Tunisia and six in Spain and Turkey. And there is, of course, a strong seasonal pattern: in Spain, for example, there were one million tourist arrivals in January 1972 and seven millions in August.

The expansion of tourism has led to the development of a significant economic market fed by the foreign exchange spent in the countries visited. This market is not easy to measure statistically, but the International Union of Official Tourist Organisations puts it at $28,000 million in 1973. Exchange rate fluctuations over the past two years have considerably influenced where money is spent, and how much. Europe and North America, because of their dominance, clearly capture the lion's share. At all events, receipts from tourism have risen by a factor of 12 between 1950 and 1972, whereas the number of tourists has risen only eight-fold. Excluding transport costs, expenditure per person is three times higher in Latin America and the West Indies than in Europe. Several reasons account for this. European tourism now embraces more lower income bracket travellers, while reduced fares and the new networks established in consequence have brought more distant destinations within reach. Also, while business tourism means more frontier crossings, stays are shorter, leaving less scope for a sharp rise in spending per person.

the invisible balance

Countries' tourist receipts, and the tourist expenditures of their nationals abroad are far from negligible components of the invisible balance. In 1969, tourist receipts were equal to 33.5 per cent of the proceeds of merchandise exports for Spain, 22.1 per cent for Austria, 17.8 per cent for Morocco, 17.1 per cent for Tunisia, 14.3 per cent for Greece and 8.8 per cent for Cyprus. Expenditures of nationals abroad were much lower in relation to import costs, ranging from 2.4 per cent for spain to 8.4 per cent for Austria.

Tourism makes an important contribution to economic growth in several countries, particularly the developing countries, in the form of hotel facilities, retail outlets, job creation and infrastructural development. Some countries provide finance at especially attractive terms for investment in hotels by foreign nationals, and the major banks have developed imaginative loan formulae. Such international chains as Holiday Inns, ITT, Sheraton and Hilton Motels offer accommodation round the world. France's Club Mediterranee associates tourism and recreation and has expanded to occupy an important position in the industry; several of its tourist villages are located in developing countries.

In the industrial countries tourism has become a substantial activity with its own specialities—travel agencies, festivals cruises, etc. The international airlines have done particularly well from its growth: 59.3 per cent of the tourists arriving in Greece flew in; 35.6 per cent in Portugal, 22.4 per cent in Spain.

III

The Outlook and the Limits of Growth

The structure of international tourism has become fairly stable, and its growth will change only as a function of certain factors which tend to evolve slowly. Individual events can of course influence the flow to certain countries in the short term: West Asia is one example. Northern Ireland (14 per cent of whose hotels closed down in two years) another. The oil crisis may also have an effect: dear gasoline and higher airfares could reduce distances travelled. To a lesser extent, changes in exchange rates may impinge on travel patterns. For example fewer American tourists were to be seen in France in 1973.

Leaving aside these short-term influences, it is possible to make a forecast of basic trends. As the number of tourist arrivals depends on the existence of facilities to receive them, objectives must be set at country level, and form part of national plans. The studies made by the international organisations show that a relationship exists between the growth of world population, its age distribution, its location, and the outlook for tourism.

World population was 3,600 million in 1970, and is expected to reach 4,000 million in 1975 and 4,400 million in 1980. Most of the increase, however, will occur in the developing countries, which will have 73 per cent of humanity in 1980 against 70 per cent in 1970, following an annual average increase in population of 2.4 per cent against 1.1 per cent for the industrialised countries.

Other points are that population concentration in the developed world (over 65 per cent of the population will be urban dwellers in 1980) fosters the desire to travel, and that the substantial increase in the economically active population, with women joining the labour force in growing numbers, tends to raise income levels and therefore the number of people who can afford to travel. In short, the flow of tourists from the developed countries may safely be expected to expand.

By contrast, little additional tourism

may, barring the unforeseen, be expected from the developing countries. Although numbers employed in the agricultural sector will decline, they will still account for 60 per cent of population in 1980. Thus, the origin of most tourist traffic will be broadly as at present, with North America and Europe generating 60 per cent of the flow. The destination pattern will also be much the same with Europe continuing to dominate. The rate of increase could slow down in those countries which have experienced rapid expansion over the past few years, and whose facilities are to some extent saturated, but such countries are still few in number.

The forecast for 1980 is for a world total of 280 million tourist arrivals, of which 200 million in Europe, 45 million in North America, and 10 million in Latin America and the Caribbean. Of the seven million tourists forecast to go to Africa, 5.5 million will patronise countries in North Africa, of which Morocco 1.25 million, Libya 400,000 to 700,000 and Algeria 600,000. These estimates are often below the target figures in national plans. Morocco, for example, expects two million tourist arrivals in 1976, increasing at an annual rate of 21.6 per cent. Other Mediterranean countries have also produced high estimates: Greece six million in 1977, Lebanon 3.5 million and Spain 62.5 million in 1980. Some countries with an assured future have made no estimates at all. Egypt is one. Its monuments are a gilt-edged tourist asset, but it is less known that miles of Egypt's golden sandy beaches await some enterprising developers.

However bright the outlook for tourism in those countries which have fostered it, there are limits. Spain, believe it or not, welcomes as many tourists in a year as there are Spaniards! Beyond a certain threshold, the drawbacks may outweigh the advantages: it has been observed that an excessive inflow of prosperous foreigners generates distortions in the living standards of the local population, arousing resentment and unwelcome increases in price levels.

In some of the smaller countries, the investment required may be more than the local economy can finance: in some islands of the West Indies, the additional imports required to service tourism amount to 40 per cent of total export proceeds. Finally tourism is extremely sensitive to the ruling economic climate and the maintenance of activity in the industrial countries. This is a risk for those countries which have seen tourism as a main contributor to their economic development. Further, over-rapid development of some areas will entail problems which will be expensive to solve, including sociological disparities, pollution and environmental protection, but must be dealt with.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of the *Economic Digest* published by the Societe Generale (29 Boulevard Haussmann, 75009 Paris, France) but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

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IMF facility for medium term aid

THE INTERNATIONAL Monetary Fund has established an extended facility to provide medium-term assistance for members in certain special circumstances of balance of payments difficulty. The extended facility represents an important development in Fund practice in that, whereas the usual duration of a stand-by arrangement does not exceed 12 months, an extended arrangement will provide an assurance of support by the Fund for a period of up to three years. The extended facility, in its formulation and administration, is likely to be beneficial for developing countries in particular.

Certain situations to which the extended facility could apply are those in which an economy is suffering serious payments imbalances relating to structural maladjustments in production and trade and where prices and cost distortions have been widespread; or in which an economy is characterized by slow growth and an inherently weak balance of payments position which prevents pursuit of an active development policy.

the extended facility

Under the extended facility the Fund is prepared to give special assistance to members to enable them to meet balance of payments deficit for longer periods and in amounts larger in relation to quotas than has been the practice under existing tranche policies. Such assistance will be given in support of comprehensive programmes that include policies of the scope and character required to correct structural imbalances in production, trade, and prices when it is expected that the needed improvement in the member's balance of payments can be achieved without policies inconsistent with the purposes of the Fund only over an extended period. The Fund will pay particular attention to the policy measures that the member intends to implement in order to mobilize resources and improve their utilization and reduce reliance on external restrictions.

A request from a member for an extended arrangement under this decision will be met if the Fund is satisfied that the solution of the member's balance of payments problem will require a longer period than the period for which the resources of the Fund are available under existing tranche policies; and the member has presented a programme, setting forth the objectives and policies for the whole period of the extended arrangement, and a detailed statement of the policies and measures for the first twelve months, with the understanding that, for each subsequent twelve-month period, the member will present to the Fund a detailed statement of the progress made, and the policies and measures that will be followed, to further the realization of the programme.

Extended arrangements under this decision will be limited to periods of not more than three years. Purchases outstanding under this decision will not exceed 140 per cent of the member's quota, or be allowed to raise the Fund's holdings of the member's currency above 265 per cent of the member's quota (excluding holdings obtained by the Fund as a result of purchases under the facilities relating to compensatory financing, buffer stock financing, and the impact of the increased cost of imports of petroleum and petroleum products).

Amounts made available under the extended facility by the Fund will be repaid by the member as soon as its balance of payments problems have been overcome and, in any event, within an outside range of four to eight years after each purchase normally in sixteen equal quarterly installments. Members will pay charges on amounts purchased under the extended facility at an annual rate of four per cent for the first year that a purchase is outstanding and this rate would rise by one half per cent per annum for each succeeding year, up to a level of 6½ per cent per annum.

—*IMF SURVEY, September 16, 1974*

Oil Facility in Action

The International Monetary Fund has completed borrowing agreements with seven lenders. The agreements provide for the Fund to borrow, in the period up to December 31, 1975, resources from these lenders to finance drawings under the Fund's oil facility which has been established to assist members with balance of payments needs in meeting the impact on their balances of payments of increases in the net import costs of petroleum and petroleum products. The seven lenders that have agreed to lend to the Fund and the amounts (expressed in special drawing rights) up to which they have agreed to lend are as follows:

Abu Dhabi	**SDR**	**100,000,000**
Canada		**257,913,900**
Central Bank of Iran		**580,000,000**
Central Bank of Kuwait		**400,000,000**
Oman Currency Board		**20,000,000**
Saudi Arabian Monetary Agency		**1,000,000,000**
Central Bank of Venezuela		**450,000,000**

(Canada will lend the Fund an amount up to the equivalent of 300 millon Canadian dollars which, expressed in special drawing rights on the effective date of agreement, was SDR 257,913,900).

The lenders concerned have agreed to lend to the Fund in their national currencies or, in some cases, in US dollars. Interest on these borrowings will be at an annual rate of seven per cent. Repayment of the loans will be made in eight equal semiannual installments to commence after three years and be completed not later than seven years after the transfer of currency to the Fund. In the case of Canada, repayment will be made in a lump sum five years after a transfer. However, provision is also made for earlier repayment in certain circumstances.

The first transactions under the oil facility have been acted upon by the International Monetary Fund. Resources obtained under the oil facility are supplementary to any financial assistance available to members under other Fund policies on the use of its resources. The countries and the amounts of their purchases in equivalents of SDRs are:

Bangladesh	**SDR**	**12,430,000**
Chile		**41,470,000**
Haiti		**1,150,000**
Kenya		**9,210,000**
Korea		**21,000,000**
Pakistan		**30,610,000**
Sri Lanka		**11,000,000**
Sudan		**9,410,000**
Tanzania		**6,320,000**

World Bank group in 1974: highlights

INDIA RECEIVED a total of $442 million from the World Bank Group during the fiscal year ended June 30, 1974, according to the Annual Report of the World Bank and its affiliate, the International Development Association (IDA).

As in previous years, India was the largest single recipient of the Group's commitments during fiscal 1974. The bulk of the financing from the Bank Group to India during the year ($390 million) has come from IDA. The Association's credits to date have been for 50 years, free of interest, but carry a service charge of 3/4 of one per cent. The year's commitments brought the cumulative total of Bank and IDA lending to India to $4,031 million — $1,228 million from the Bank and $2,803 million from IDA.

range of activity

The range of the Group's activities in India was expanded to include dairy and urban development. An IDA credit of $30 million is financing a dairy development project in Karnataka (formerly Mysore). Another credit of $35 million in fiancing a project in support of the Calcutta Metropolitan Development Authority's programme to rehabilitate and improve basic urban facilities in a metropolitan area of almost nine million people.

The year's lending has sought to spread the benefits of economic development to a larger number of the poor. In Karnataka, for instance, about 450,000 farming households, or about 2.5 million people will benefit from the dairy development project. In Bihar, the incomes of about 100,000 farmers are expected to increase substantially as a result of an IDA-financed project to expand institutional credit.

A brief description of Bank/IDA operations in India during fiscal 1974 follows:

Agricultural Credit in Bihar: The IDA credit of $32 million is supporting a three-year lending programme for investments in minor irrigation, tubewells and pumpsets to farmers in the state. Incomes of about 100,000 farmers are expected to increase substantially as a result of the project. In addition, the project will generate year-round employment for almost 45,000 persons.

Apple Processing and Marketing in Himachal Pradesh: The IDA credit of $13 million is assisting a $21.7 million project to improve apple processing facilities and to assist an integrated apple-marketing system. About 10,000 small farmers are expected to increase their incomes.

Dairy Development in Karnataka (Mysore): The IDA credit of $30 million represents the first Bank Group operation in support of dairy development in India. The project seeks to contribute to an annual production increase of one million tons of milk. About 2.5 million people, most of whom are either landless or own less than five acres will benefit.

Chambal Command Area Development in Rajasthan State: The Bank loan of $52 million will finance improvements to an existing irrigation project. The project will help to increase 20,000 jobs over the next decade and to increase foodgrain production from 140,000 tons to 350,000 tons. More than half of the farmers in the project area are within the lowest 40 per cent on India's national income scale.

basic amenities

Urban Development—Calcutta: The $35 million IDA credit is helping to finance 44 schemes covering water supply, sewerage and drainage, roads and traffic improvements, environmental hygiene, garbage disposal, and housing. The credit supports the Calcutta Metropolitan Development Authority's programme for the rehabilitation and improvement of basic urban facilities.

Indian Railways: The $80 million credit is supporting the expansion of the railways during the fifth five-year Plan period (1974-79). The $654 million project will help to replace steam locomotives with diesel or electric ones. The wagon fleet will be increased, and electrification of main lines will be furthered.

Industrial Imports: The credit of $150 million will enable 800 medium and large-scale enterprises in selected priority industries to maintain and expand production. The credit will meet part of the industries' foreign exchange requirements of about $550 million during 1974-75 for imports of raw materials, components and spare parts. The credit brings the total of IDA assistance for industrial imports in India to $930 million.

Fertilizer—Trombay: Almost two-thirds of the IDA credit of $50 million will go toward expanding the capacity of the Trombay fertilizer plant, located near Bombay. The remaining funds will provide India with urgently needed assistance to improve operations in other government-owned fertilizer plants. The credit marks the sixth Bank Group fertilizer project in India.

record assistance

For the sixth consecutive year, the World Bank Group has approved a record total of development assistance to the poorer nations of the world. The figure of $4,517 million for the fiscal year 1974, was $962 million higher than in the previous years. The World Bank's borrowings also reached a record—of $1,853 million. Over 30 per cent of this amount came from oil-exporting nations.

Compared with fiscal 1973, the Bank's lending rose by almost $1,200 million to $3,218.4 million. As had been expected, IDA committed virtually all the resources available to it by the end of the year. Its commitments totalling $1,095.2 million, were $250 million less than in fiscal 1973.

The International Finance Corporation, the Bank's other affiliate, made investments totalling $203.4 million.

With loans and credits totalling $1,361.8 million, Asia was the principal regional recipient of Bank/IDA assistance. Bank and IDA lending went to 12 Asian countries—Bangladesh, Burma, India, Indonesia, Korea, Malaysia, Nepal, Pakistan, Papua New Guinea, the Philippines, Singapore and Thailand.

II

The World Bank warned that without a major, worldwide effort, 800 million people in the developing countries of the world can expect almost no improvement n their lives during the rest of the 1970s. or hundreds of millions more, any mprovement will, at best, be meager vithout such action.

The warning by the world's largest mul-ilateral supplier of development finance s contained in the World Bank's Annual Report for 1974. It follows what the Report describes as a year of "momentous" hanges in the international economy.

During that period, marked though it was by confusion and controversy, one point stood out clearly, the Report states.

"The prospects for the economic and social progress of a large number of developing nations have been seriously jeopardized. The jeopardy is greatest for those that are poorest."

significant developments

Five significant developments in the recent past hit the developing countries particularly hard, the Report says. They were: the realignment and floating of exchange rates; accelerated inflation, especially in the prices of most primary commodities and industrial goods; the rise in petroleum prices; shortages of foodgrains and fertilizers; and a slowdown in the growth rates of industrialized countries.

The impact of these developments has been far-reaching, the Report says. Barely a year ago, the prospects were that the developing countries, taken together, would be able to achieve an annual rate of growth of GNP in real terms somewhat higher than six per cent, in line with the target set for the second Development Decade. However, it is now expected that although some petroleum and mineral exporting countries may exceed the target, GNP growth in many other developing countries will fall below six per cent per year over the rest of this decade. The rate of growth in the poorest countries, including the most populous, will be so low that per capita incomes will either stagnate or rise very little between now and 1980.

If even moderately acceptable growth rates are to be achieved, there will have to be a massive increase in the flow of external resources to developing countries, the Bank says.

The outlook for the mobilization of such additional capital, the Bank notes, is "uncertain." That uncertainty rests most heavily on the poorest countries, whose needs will have to be financed "almost entirely" on concessionary terms, the Report concludes.

The Bank Report notes that even "middle-income" and "higher-income" developing countries may find it difficult to raise the additional capital they will need in the years ahead. The latter—those countries with yearly per capita incomes of more than $375—could afford much of the capital they need on market terms. But the former group, consisting of countries with annual per capita incomes of between $200 and $375, will need a "large concessionary element" in their borrowing.

By 1980, the additional long-term capital requirements of developing countries will amount to $27,500 million, almost half of which — $11,200 million — must be on highly concessionary terms, the Report says.

The Report, while noting that a number of initiatives have been taken in an effort to stimulate the flow of funds, both concessionary and other, cautions, however, that it remains to be seen whether the various initiatives will result in the disbursement of funds, especially concessionary funds, on the scale required.

"It appears almost inevitable," the Report concludes, "that at least in the short run, the flow of concessionary aid will decline even further in real terms. This will happen at a time when the needs of countries which depend mot heavily on such aid will be greater than ever."

In fiscal 1974, the Bank and its soft-loan affiliate, the International Development Association (IDA), made loans worth $4,313.6 million to 75 developing countries. Twentyfive per cent of the total — $1.095.2 million — was in the form of interest-free credits supplied by IDA.

A majority of the poorest people in the developing world live in rural areas. The Bank argues that development assistance must be directed to the poorest among and within developing countries; and in ways in which the productivity of small farmers and the landless in particular can be increased. "This is becoming," the Report says, "more deliberately than ever, the Bank's concern."

But more rapid growth and improvements in productivity— even on a moderate scale — will occur only if there is a "substantial increase in the flow of external resources to developing countries," the Bank's Report points out.

—IBRD

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The National Cultural Organisation celebrated a Tansen Jayanti festival by organizing musical concerts in the capital on September 22 and 23. The vice-president inaugurated the festival, the minister of state in the ministry of Education presided over it and the chief executive councillor of the Delhi Metropolitan Council was also present. Mr Jatti chose to read a written speech which was as undistinguished in substance, style and delivery as the vice-president himself. It is indeed a pity that a man occupying this high public office could not speak a few words extempore on an occasion like this. Worse still, Mr Jatti covered himself with ridicule by saying at the start of his speech that Tansen (whose 468th birth anniversary was being celebrated) needed no introduction. The man who wrote Mr Jatti's speech for him deserves to be sentenced to hard labour on a diet of platitudes mixed with Delhi tap water. It is true that almost every other successful politician in our country is a mediocrity in most respects, but is it at all necessary for the prime minister to flaunt these mediocrities in the face of the world by placing them in highly conspicuous public positions?

As for Professor Nurul Hasan, he certainly did not have to depend on a prepared text, but this was no reason why he should have let his tongue run away with him and gone on at such great length, especially when Ustad Bismillah Khan was on the dais and waiting to begin the inaugural concert. I suppose an audience getting its entertainment free of payment in cash is to be expected to pay in kind by putting up with VIP speeches on occasions of this sort, but this need not mean that its patience should be tried unduly by three politicians having nothing particular to say which was really significant for the occasion. I said 'three', for Mr Radha Raman also spoke. Fortunately, the mike went dead for a while as the electricity was off. Mr Radha Raman of course kept soldiering on bravely, but not many of us could hear what he was saying. Which was perhaps all to the good. Mr Radha Raman, as we must all admit, is quite capable of orating under the impression that Tansen is alive and well and present on the occasion and that Ustad Bismillah Khan is in fact Tansen, not just in the figurative sense but in the literal physical. For the benefit of the non-cognoscente, I may add that I have in mind that famous occasion when Mr Radha Raman mistook the West German ambassador in India for the chancellor of the Federal Republic, Mr Willy Brandt.

The press has gone to town on the government's crusade against the captains of the smuggling trade. One of the points which has been repeatedly made is that silver is being clandestinely exported in payment for smuggled gold and other goods. The smuggling aspect apart, I do not find this particular exchange of goods objectionable in itself. If silver is worth more abroad than here and gold worth more here than abroad, it is common sense as well as good economics for our people to exchange their silver for other people's gold. It should be clearly understood that the price of silver is a highly speculative one; in contrast, gold is much more reliable as a store of value or as a hedge against inflation. Therefore it is quite legitimate for the people to disinvest in silver so that they may invest in gold. Again, the standard of living of an individual or a family could improve concretely if silver articles such as silver utensils are sold and with the proceeds consumer durables or articles of every-day consumption are bought. It should also be realized that both fashion and taste are veering away from silverware in the kitchen to stainless steelware. Many households are turning more and more towards the use of stainless steel utensils, and for them the obvious thing to do is to dispose of silver utensils so that they may find money for buying stainless steel utensils.

Moreover, under the pressure of the rising cost of living, quite a large number of middle class or lower middle class families are frequently forced to effect distress sale of some of their possessions. The high price of silver makes it attractive for the families to turn into cash such silver as they may possess. In these circumstances the sensible thing would be for the government to provide an organized legitimate market for the silver people may wish to sell from time to time.

Until recently the government had banned totally the export of silver and this naturally put a premium on the smuggling out of this metal or its wares. But, even after the exports have been legitimatized, those who are engaged in smuggling goods into the country have been finding it worth their while to pay more for silver which they could use as a medium of exchange, so to speak, in their trade. This is why the white metal is not flowing freely through the normal trade channels into legitimate exports. Now that the government is cracking down on smuggling the price of silver has begun to ease. It would be good public policy for the government to make arrangements for silver offered for sale by the public to be bought at prices reasonably in accordance with those prevailing in world markets and arrange for the export of the metal for the benefit of the foreign exchange earnings of our country. Such a policy could be specially helpful to people in the countryside a large number of whom can cope with rising cost of living only by turning into cash some of their possessions. It would be obviously unfair that those who make distress sales are also required to make them at distress prices.

The way the CBI inquiry into the import licences scandal is reported to be progressing, it is quite possible that the present minister of state in the ministry of Commerce might fined himself in an extremely embarrassing predicament. During the relevant debates in the monsoon session of parliament, Professor Chattopadhyaya had repeatedly gone on record to the effect that, the controversy over the Tul Mohan Ram memorandum apart, there had been nothing improper or out of the way in the issue of the licences themselves. Professor Chattopadhyaya had also disclosed that the licences were issued only after a senior official of his ministry had gone to Pondicherry and verified the *bona fides* of the applicants and the authenticity of their representations or claims. It is to be hoped that there will be no unpleasent shocks to the people's trust in the government as a result of whatever findings the CBI inquiry may ultimately lead to. It goes without saying, however, that it will be in the ultimate public interest for the truth, whatever it is, to come out and be boldly faced by the government and the country.

VB

TRADE WINDS

Industrial Finance Corporation

The Industrial Finance Corporation (IFC) had disbursed Rs 30.26 crores in 1973-74. During the year it received a further time of credit for eight million D-marks from West Germany. The Chairman of the Corporation, Mr C.D. Khanna said in New Delhi the other day that IFC was facing shortage of funds. Unless the union government augmented its resources by special allocations, IFC would find itself in a tight corner. On the industrial scene, Mr Khanna said steep increase in the capital costs of new units posed serious problems to the commercial viability of such industries as sugar, cement, paper, cotton textiles and automobiles, the end products of which were subject to price regulation.

Because of the increase in capital costs, several new projects were being considered by the IFC for financing jointly by different all-India financial institutions. Of the 90 projects for which IFC had sanctioned financial assistance of Rs 39.31 crores during the year ended June 1974, 56 projects had involved joint financing. The corporation might have to write off Rs 3.45 crores due from coal companies and sick textile mills taken over by the government because the compensation to be paid by the National Textile Corporation might not be adequate to meet the corporation's dues.

IFC chairman said that the corporation had several projects for assistance in the pipeline. To augment its resources it had decided to enter the market with a bond of Rs 10 crores. After repayment of the maturing bonds, the net borrowing in the new issue would be four crores of rupees. The bonds will have a currency of 10 years and will be repaid at par on September 28, 1984. These will bear interest at the rate of six per cent per annum. The 4½ per cent IFC Bonds 1974 due for redemption are accepted at par in payment of subscription to six per cent IFC Bonds, 1984.

Record Turnover of STC

The working results of the State Trading Corporation of India Ltd. (STC) for 1973-74 showed a rise of 41 per cent in turnover reaching an all-time peak at Rs 490 crores. Its exports at Rs 273 crores exceeded imports by Rs 67 crores. As nearly half of the profit of the STC during the year under review accrued from exports, it reflected a new trend in the working of the corporation.

More than half of the total business of the STC was concentrated in Europe with the European Economic Community as its largest trading partner. Also, more than one-fourth of the exports of the corporation were to the Soviet Union. Interestingly, sales to west Asia had more than trebled and, according to the chairman, Mr Vinod Parekh, the regions potential had assumed special significance in the corporation's promotional activities.

An interesting element in the working results of the STC for 1973-74 was that exports had contributed Rs 7.4 crores i.e. about 48 per cent in trading profits. The corporation had also contributed one crore of rupees to the Leather Development Fund out of its profits. The equity base of the corporation had increased to Rs 10 crores due to the issuance of bonus shares to the extent of two crores of rupees in 1973-74. Because of the limitation on dividends the corporation allowed the maximum dividend i.e. 12 per cent for payment on the basis of working results for the year under report. The costs of the STC had been kept well under control as the ratio of costs to sales worked out to be 0.9 per cent as against 1.2 per cent in 1972-73.

A mid-year review of the performance budget for 1974-75 indicated that exports of the STC during the half-year ended September 1974 were valued at Rs 194 crores as against the revised budget estimate for the whole year at Rs 525 crores. The value of exports budgeted earlier for the current year at Rs 386 crores has been stepped up to Rs 525 crores because of the favourable trend emerging in regard to the export of sugar. While the value of sugar exported in April-September this year was estimated to be Rs 90 crores, the revised budget estimate indicated its total export value at Rs 260 crores in 1974-75. Consequently, the bulk of the expected increase in exports during the current year was likely to be entirely due to the sharp spurt in sugar exports.

Reviewing the prospects for the current year, Mr Parekh stated at a press conference held in the capital on September 28, that because of the favourable trend in the export of sugar, the budgeted turnover estimate of Rs 780 crores for the STC group had been revised upward to Rs 855 crores of which exports alone would account for Rs 573 crores. He outlined the corporations' new strategy for export promotion through selected products and markets. He said that the corporation intended to select each year certain items and markets for concentrated development. In the current year the programme would include basmati rice, army software, shoe uppers and chemicals. West and south-east Asia, with special emphasis on Gulf markets, had been selected as areas of intensive promotional activity.

In order to expand production capacity for exports, particularly in the small and medimum scale sections, Mr Parekh stated that the corporation would provide direct financial assistance which could be in the form of term loans, supply of plant and machinery or imported raw materials.

Despite the uncertain world trading conditions Mr Parekh struck an optimistic note in regard to exports by the STC. He said that reasonably good prospects existed for this country's exports since vast opportunities were expected to be thrown open with increased trade with oil-producing countries. The consumption patterns in western Europe also seemed to suggest that certain agro-based products and consumer goods from our country would continue to enjoy ready markets there.

HMT Profits UP

Hindustan Machine Tools Ltd (HMT) showed a net profit of Rs 1.96 crores in 1973-74 which was 151 per cent higher than the preceding year's achievement. While sales increased by 22 per cent to Rs 43.06 crores, exports rose by 54 per cent to Rs 2.52 crores. This was indeed creditable in view of the fact that the working of the HMT units was hampered by frequent power cuts, raw material shortages, bottlenecks in movement and labour unrest in some of the units. As the long-term wage settlements in all the HMT units expired in the year under review, it took eight months of hard bargaining and negotiations to hammer out a new minimum wage and dearness allowance agreement. Consequently, the tempo of production slowed down during this period. However, consequent upon the wage agreement there was a spurt in production. While the management was afraid that the year would close with a deficit of Rs 35 lakhs, there was a record profit of Rs 1.96 crores, as stated earlier

The corporation signed an agreement during the year to export engineering equipment to Messrs Machine Tool Works Buehrle & Co, Oerlikon, Zurich (Switzerland). The contract was worth 4.5 million Swiss Francs; half of it was for equipment while the other half was for engineering documentation to be prepared by HMT on the basis of designs supplied by the Swiss firm. It may be recalled that this was the parent company which helped HMT to set up in 1953. More than two decades later, HMT has proved that it has come of age.

That HMT has inspired confidence in foreign buyers is clear from the fact that a well-known British manufacturer of machine tools, namely, Messrs Wickman Machine Tools, Coventry, UK, has entered into a collaboration agreement for the manufacture of "mini-chucker designed by the corporation. The prototype of the "mini-chucker" is at present under manufacture and testing and will include some of the modifications suggested by the British firm.

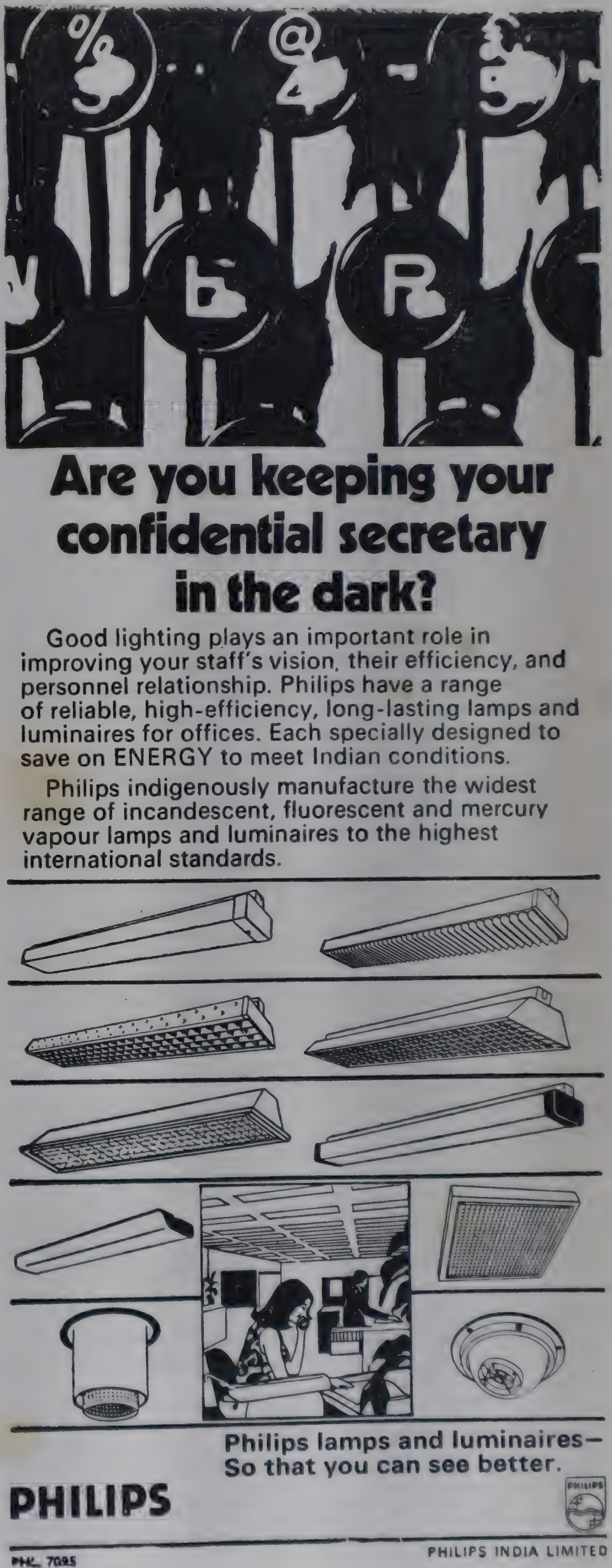
HMT has also decided to move into the manufacture of a new generation of machine tools which will be numerically controlled (NC). At present there is no production of NC tools in this country. Also, there is no significant domestic demand for them within this country though the industrialised countries are moving rapidly towards increased production of such machines. An agreement has been signed with Messrs Kearney & Trecker Marwin (KTM) of the UK according to which HMT will supply the basic machines, while the British firm will do the inter-facing with NC. These machines will be sold abroad. The central idea in this collaboration is that HMT should gradually take on more and more of the NC part of the work so that eventually the entire product may be made in this country.

Besides machine tools HMT has acquired great reputation for the production of other products such as tractors, wrist watches, printing machines and die casting. The Pinjore unit of HMT is turning out tractors while the Kalamassery unit has entered the printing machinery business. The watch factory in Srinagar is expected to be commissioned early next year. HMT has finalised an arrangement with the Citizen Watch Co. of Japan for the manufacture of main springs, hair springs and shock absorbers at the Bangalore watch factories. The production of die casting and plastic injection moulding machines in the Bangalore unit is expected to be further stepped up to reach its optimum capacity. HMT has started exporting technical know-how and it is already giving technical assistance for the establishment of machine tool factories both in Sri Lanka and the Philippines.

According to Dr S. M. Patil, Chairman of HMT, the expansion and diversification programme will increase the sales of the corporation to Rs 100 crores within the next three years. The capital investment of the company is also expected to rise to the same level. The percentage increase in production will be much larger in the case of new items than of machine tools. Eventually, the value of production of machine tools is likely to be less than half of the total output of HMT units.

TI Silver Jubilee

Mr A. M. M. Arunachalam and Mr M. V. Arunachalam managing directors of the well known industrial group of Trade Investments of India Ltd, Madras held a reception at the Oberoi Inter-Continental New Delhi, on September 28, in celebration of the silver jubilee of the firm. Lord Plowden, Chairman of Tube Investments Ltd, UK and Lady Plowden, who had come to India to take part in



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the silver jubilee celebrations of their Indian associates, were introduced to the guests, During the reception a twenty minute film was shown to the guests with a view to acquainting them with the progress and achievements of this Madras-based industrial group which now employs over 15,000 persons

MMTC

The Minerals and Metals Trading Corporation earned a net profit (after tax) of Rs 11.5 crores in 1973-74 against Rs 5.2 crores in 1972-73. The significant improvement in profitability is partly attributable to the upward trend of selling prices. Besides, profits during the year were augmented by a receipt of Rs 3.3 crores towards claims in respect of past shipments of iron ore to Japan.

The total turnover of the corporation rose by Rs 134.8 to Rs 478.3 crores in 1973-74 from Rs 343.5 crores in 1972-73; exports at Rs 125.4 crores were up by Rs 21 crores and import at Rs 351.8 crores by Rs 113.9 crores. Domestic sales at Rs 1.1 crores were only marginally lower than in the previous year. Thus between 1969-70 and 1973-74, in a span of four years, the turnover of the corporation had registered a rise of Rs 340.6 crores.

An indication of the efficiency achieved by the corporation is that despite escalations in costs, the ratio of over-heads to sales has come down to 1.2 per cent against 1.3 per cent in the previous year.

The increase in inventory to Rs 75.2 crores on March 31, 1974 as compared with Rs 56.6 crores on March 31, 1973 was due mainly to high-priced stocks consequent on global inflation. This has naturally strained the liquidity of the corporation. The borrowings from banks and the consequent incidence of interest was, therefore, higher than last year.

The second issue of bonus shares of the value of Rs 1.5 crores by capitalisation of reserves announced at the last annual general meeting raised the capital base from Rs 4.5 crores to Rs 6 crores on March 31, 1974. Over the years, the corporation has built up substantial reserves which stood at Rs 31.8 crores on March 31, 1974. It is proposed to utilise a part of these reserves in raising the equity base further to Rs 8 crores by issue of bonus shares worth Rs 2 crores.

The MMTC Chairman, Mr S. Ramachandran told a press conference that the average price realisation in 1974 compared to 1972 would be 50 per cent higher for iron ore, 85 per cent for manganese ore, and 200 per cent for coal.

The Chairman said that the long-term contract to export iron ore from Bailadilla to Japan would be re-negotiated very soon. The contract did not have any price escalation clause, but Japan had agreed to pay a reasonable price in the light of spot international prices.

Unlike last year, no shortfall was anitcipated in fertiliser imports from east Europe which were canalised through the MMTC. However, Mr Ramachandran complained that fertiliser plants in the country were not prepared to purchase rock phosphate whose import the MMTC had arranged for with much difficulty. It was sad that the MMTC had been forced to default on a shipment of 100,000 tonnes.

Apart from rock phosphate, industrialists were refusing to lift a wide range of imported materials, particularly non-ferrous metals. In, future, he suggested, some penalty should be imposed on those who did not lift imports, they had asked for.

Rise in Revenue Collections

The union government's tax collections in the first four months of the current financial year have shown all-round improvement. From April to July 1974 revenue collection was Rs 346 crores more than in the corresponding period last year.

Official information available here today shows that collections during this period were Rs 1,650.82 crores compared to Rs 1,304 crores during the corresponding period of 1973-74. Collection in July alone was Rs 109.40 crores more than in July 1973. The exact figures of revenue realised are: July 1974 Rs 471.94 crores against Rs 362.54 crores in July last year.

The improvement noticed was in all heads of duties and levies such as customs, excise, corporate tax, income tax, wealth tax, expenditure tax, gift tax, estate duty and opium tax. The details are given in table below.

(Rs in lakhs)

Revenue heads	During July 1974	During July 1973	Upto July 1974-75	Upto July 1973-74
Customs	11065	7512	39988	30547
Union excise (excluding cess on salt, rubber, coal and iron ore)	*27861	21359	102366*	80541
Corporation tax	*3597	3076	10599*	8685
Income tax	*3984	3903	10799*	9544
Wealth tax	441	225	652	473
Expendilure tax	—	—	—	—
Gift tax	33	27	108	102
Estate duty	46	65	216	236
Opium	167	87	354	337
TOTAL	47194	36254	165082	130465

*Provisional.

Union Banks' Progress

In the report of the Union Bank of India for the year 1973, the Chairman, Mr Gutta, has drawn attention to the progress, both quantitative and qualitative, in deposit mobilization. As between the last Fridays of 1972 and 1973 aggregate deposits rose by 34.01 per cent to reach a level of Rs 324.14 crores. This has been the highest growth rate achieved by the bank so far. This increase also compared favourably with the annual growth rate of 20.07 per cent for the banking system. Moreover, time deposits grew faster (38.68 per cent) than demand deposits (29.66 per cent). One result was that the two categories of deposits were about equal. Again, the pace of deposit accretion in rural and semi-urban centres continued to be faster than in urban and metropolitan areas.

The figures relating to advances reflected the effectiveness of the credit control measures adopted by the bank on the advice of the Reserve Bank. The bank's net credit went up by Rs 53.19 crores to reach Rs 227.63 crores as at December 1973, but this growth was well within the deposit accretion, in contrast to the trend in earlier years when the growth in advances had outstripped that in deposits. The incremental credit-deposit ratio was contained at 66.44 per cent as against 87.46 per cent for the banking system (as of last Friday). The sectoral deployment of funds was such that only 23.07 per cent of the credit expansion went to non-food and non-priority sectors. Credit against sensitive commodities accounted for less than three per cent. The share of export credit in the total advances' portfolio of the bank continued to be well over 16 per cent as in the previous year, while the share of priority and neglected sectors (excluding exports) improved from

30.81 per cent to 37.24 per cent. It may be added that the corresponding ratio for public sector banks was 23.80 per cent as at the end of June 1973 (and 26.1 per cent as at the end of September 1973).

The bank has agreed to participate in seven agricultural credit projects which are being financed with the credits made available by the World Bank. The scheme of differential interest rates introduced in late 1972 was extended to districts covered by Small Farmers Development Agencies and Marginal Farmers and Agricultural Labourers Agencies. The pace of progress made in the six Lead Banks assigned to the bank—four in UP and two in Kerala—continued to be quite satisfactory. An ambitious dairy development scheme for implementation in the Lead Districts of Varanasi and Ghazipur in UP was under formulation. Incidentally, the bank had opened during 1973, 48 branches in rural and semi-urban centres and another 25 elsewhere, taking the total to 579.

Rise in Engineering Exports

Engineering goods exports registered a record growth of 111 per cent in July. Their total value was Rs 27.37 crores against Rs 13.05 crores in June. The cumulative export figure for the first four months of the current financial year (April-July) was also considerably higher than that for the corresponding period of 1973-74. There was an increase of 45 per cent, from Rs 47.01 crores to Rs 68.32 crores.

Exports of primary steel and pig-iron based items with Rs 19.84 crores headed the list, followed by capital goods, including plant and machinery and steel structurals, which accounted for Rs 18.66 crores. Bicycles and their components, non-ferrous products, diesel engines, pumps and compressors, data processing machines, telephones and teleprinters were the other major items.

According to the Engineering Export Promotion Council, the industry has finalised contracts worth Rs 350 crores so far. In addition, an order for the supply of a filtration and water treatment plant valued at about Rs 4 crores has been secured. This plant will be for the Bombay water supply scheme which is being financed by the World Bank.

Dr B.V. Bhoota, chairman of the council, is confident of achieving the target of Rs 250 crores provided some of the major constraints which are hindering engineering goods production for export are removed. These included non-availability of steel, power shortage, finance and shipping.

Speculation in Jute

Hectic speculation in raw jute has driven the price up from Rs 48 per maund of Assam Bottoms earlier this year to Rs 77 for September delivery. Speculative buying in raw jute has been combined with similar buying of hessian and sacking. Hessian has gone up for Rs 130 per 100 yards in July to Rs 165 now. Similarly there has been a big increase in the price of sacking (B-Twills). The Commerce ministry has intervened to ensure that the huge stocks collected by some big business houses are liquidated and the market opened to other jute mills which have been virtually shut out by the speculative purchases.

The Reserve Bank also has tightened the flow of bank credit against inventories of raw jute with jute mills. In a letter to banks, the Reserve Bank has stated that no additional credit limits should be sanctioned to mills which would enable them to effect fresh purchases of raw jute over and above the levels prescribed by the Jute Commissioner.

Meanwhile, at a recent meeting with the Deputy Governor of the Reserve Bank, Dr R.K. Hazari, and other bank officials, the representatives of the Jute Corporation are understood to have placed their case for the sanction of a minimum cash credit of Rs 48 crores for procuring 15 lakh bales of raw jute during the current season. A lower credit limit, they feared, would lead to gross underutilisation of the infrastructure facilities now created by the Corporation for marketing a bigger quantity of raw jute this season.

Enhanced Ceiling on Tobacco

The deputy minister of Commerce, Mr A.C. George, who is now in London attending the International Coffee Council meeting, has taken the opportunity to urge the Community member states to enhance the GSP ceiling of flu cured Virginia (FCV) tobacco to at least 35,000 tonnes. The ceiling should also to be fixed in quantitative terms and not in terms of value so that the duty-free ceiling is not eroded on account of rising prices.

It may be recalled that the problem for Indian FCV tobacco has arisen following UK's entry into EEC. Britain is the largest market for Indian manufactured tobacco accounting for about 40 per cent of Indian exports.

Although FCV tobacco was included in the EEC's GSP for 1974, the low tariff quota under the GSP has created problem for India's exports of FCV tobacco. As against our exports of 29,000 tonnes to enlarged Community and 26,000 tonnes to the UK in 1973-74, the GSP ceiling is only about 16,000 tonnes for the enlarged Community and 13,000 tonnes for the UK.

Among the EEC member states, Italy and France are the major producers of unmanufactured tobacco and it is understood that both these governments have agreed to support the Indian request for enhanced GSP ceilings for FCV tobacco. The response of Dublin (Ireland) and Brussels (Belgium) where Mr George had discussions, is also known to be favourable. Following the supports received from the member governments, the working group of the Community on GSP is learnt to be making recommendations in favour of the Indian stand.

Sugarcane Prices Raised

The centre has decided to raise the minimum price for sugarcane for 1974-75 season. The new price effective from October 1, would be Rs 8.50 per quintal for a basic recovery of 8.5 per cent or below subject to a premium of 10 paise for every 0.1 per cent increase above that level. The present minimum price is Rs 8 per quintal of sugarcane linked to a recovery of 8.5 per cent or below with a premium of 9.4 paise for every increase of 0.1 per cent in recovery above 8.5 per cent. The present sugar policy of partial control of 70 per cent levy and 30 per cent sale would continue during the next sugar year, the note said.

Indo-Iranian Shipping Company

The joint shipping venture mooted between India and Iran will be a joint stock company whose equity shares will be held by the two governments only. All the details of the venture to be styled as "Irano-Hind Shipping Company" have now been finalised by the Indian shipping delegation led by Admiral S.M. Nanda, Chairman of the Shipping Corporation of India, which went to Iran recently for negotiating terms and other arrangements. This will pave the way for further talks between the Shah of Iran and the Indian government on October 2 when the Shah visits this country.

The proposed company it is believed will acquire, to begin with, 10 to 12 general cargo ships to move about one million tonnes of cargo between the two countries. The quantum of cargoes would progressively go up as Iran industrialises further and the economic cooperation between the two countries extends to many fields. Before 1978, the company will have bought, according to present estimates, about 25 ships of approximately 500,000 DWT.

By 1978, it is expected that India would be exporting through the ships of the new company about 750,000 tonnes of Kudremukh ore for Iran's steel plant near Shiraz. About eight million tonnes of coal would also move from Haldia.

Iran is industrialising fast and its needs for raw materials are on the increase. Among many other projects that are being finalised, Iran has planned to establish five atomic plants, orders for which have already been placed with France.

Bonus Committee Recommends 'Status Quo'

The Bonus Review Committee has recommended for "status quo" in regard to minimum bonus of 8.33 per cent and the maximum of 20 per cent. It has also rejected any widening of the scope of the Bonus Act to include Government departmental employees and others not presently covered by the Act. The recommendations are by five to two majority with the two labour representatives submitting separate minutes of dissent.

The changes recommended by the majority relate to increasing the maximum payable bonus amount from Rs 750 to Rs 1000 and extending the benefit of bonus to those drawing upto Rs 2000 per month against Rs 1600 per month hitherto.

The majority report also recommended deletion of Section 34(E) of the Act which had provided for a contingency of higher bonus through collective bargaining.

The labour representatives had urged that the minimum bonus should be raised from the existing 8.33 per cent to 10 per cent for 1973 and to 12.5 per cent from 1974. On the other hand, representatives of the employers pressed for a reduction of minimum to a mere 5 per cent.

The majority has also recommended that no category of employees other than those already covered by the Payment of Bonus Act be brought under the purview of the Act.

HSL Keen to Enter Export Market

The unconfirmed order for 13 ships is causing a lot of anxiety, as the two lines — Scindia Steamship and Moghul Lines have not been able to secure financial assistance so far, said Mr. Balakrishna Shetty, Chairman of the Hindustan Shipyards Limited (HSL), at a press conference after the 22nd annual general meeting of the company.

Mr Shetty stressed the need of building of 21,500 DWT Pioneer class ships as he anticipated a big demand for this type of ships after the opening of Suez Canal next year. There had already been some enquiries regarding these ships from Great Britain, middle-east and some south-east Asian countries and as such HSL was very keen to enter the export market.

HSL made a profit of Rs 53.39 lakhs during 1973-74. The ships totalling 41,722 DWT — the highest ever attained in a year — were delivered saving the country Rs 22 crores in foreign exchange. Also the total time taken from keel laying to launching has been reduced from 21 months to 13 months, Mr Shetty pointed out.

International Coffee Pact Extended

The executive board of the International Coffee Organisation (ICO) on Tuesday voted to recommend the extension of the second International Coffee Agreement (ICA) for another year until September 30, 1975. It was the second time that the pact was re-extended for 12 months pending negotiations for a new agreement to last the normal five years.

Indo-Rumanian Cooperation

Rumania will supply to India 1.5 million tonnes of chemical fertilisers during the five-year period beginning 1976, under a protocol signed between the two countries recently. During the same period, Rumania will buy from India 13 million tonnes of minerals.

The protocol signed after the meeting of the Indo-Rumanian Joint Commission aims at doubling the volume of annual trade between the two countries from the current level of Rs 60 crores to Rs 120 crores by 1980. The trade exchanges between the two countries would also include supply to India of oil-field equipment and equipment for refineries on a long term basis. The Indian delegation to the Bucharest session of the Joint Commission was led by minister for Petroleum and Chemicals Mr D.L. Barooah, who is also co-chairman of the Commission.

Apart from development of trade, agreement was also reached between the two countries for economic cooperation in the field of petroleum and chemicals, power and energy, agriculture and water and land management.

Under the protocol, Rumania would cooperate in setting up some units of refineries through grant of technical assistance and supply of designs, technology and equipment. This assistance would be available for the coking unit and the kerosene treating unit of the Bongaigoan refinery. The feasibility of similar cooperation in respect of setting up a catalytic cracking unit at the Mathura refinery would also be examined.

Apart from refinery equipment, Rumania would offer 14 rigs and oil-field equipment and tubings over a period of five years. The possibility of cooperation in oil-field equipment production would also be examined. The two countries have also decided to examine the feasibility of collaboration in oil exploration in third countries.

The two countries are to explore possibilities of cooperation in the field of research, design and delivery of power systems and meeting each others requirements for equipment, installations and materials for power generation. Supply of equipment and machinery for power and hydro and thermal transformer stations, supply of electro-technical equipment as well as designs execution of electrical works including those in dams would also be considered.

India and Rumania are also to cooperate in the field of sunflower and sugarbeet cultivation and production of hybrid seeds. India would also receive technical assistance in geo-hydrological research for identification, development and exploitation of underground water resources for irrigation purposes.

In the field of science and technology, the two countries reviewed the progress of the two-year agreement signed in 1972 and decided to finalise new proposals of collaboration at the time of renewal of the executive programme.

Malaysian Envoy Visits Ashok Leyland Plant

The High Commissioner for Malaysia in India, Tun Haji Abdul Khalid Awang Osman, visited the Ashok Leyland factory at Ennore recently. He later told Pressmen, who accompanied him, that he was "very impressed" with the factory.

The High Commissioner said that there are at present 36 Indo-Malaysian joint ventures in different stages of development, some had already commenced operation. Malaysia was in need of about 1000 trucks to meet her transport requirements and was prepared to consider importing them from India, if they were available. There are no import restrictions in Malaysia and private sector importers will be effecting the imports.

Licensing Fees Raised

The government has increased tenfold the fee for industrial licences from October 1. Applicants for industrial licences will now have to submit treasury receipts for Rs 500 as against Rs 50 so far. According to an official release, the enhancement in the fee, which has remained unchanged since the Industries Development and Regulation Act came into force in 1951, has been necessitated by the creation of a secretariat for industrial approvals to expedite disposal of applications.

The release also pointed out that government had considerably liberalised the exemption from licensing of industrial units. Under this policy investments up to one crore rupees are exempted from industrial licensing. Subject to certain conditions small entrepreneurs in most cases do not require a licence.

The enhancement of the fee is also expected to discourage frivolous applications from overloading the work of the secretariat for industrial approvals, besides safeguarding revenue receipts which had been declining during the past few years after the investment ceiling was raised to one crore rupees.

Iron Ore Export Pact

Chowgules have finalised a Rs 400 crore contract with Japanese steel mills for the sale of 19 million tons of iron-ore pellets for 10½ years from October 1977. The exports will be at the rate of 1.80 million tons per year with an annual foreign exchange earning of Rs 40 crores, Mr V.D. Chowgule, Chairman of the Chowgule group of industries, told newsmen recently.

He said, a new pelletisation plant near Mormugao harbour was being set up — the government has approved this public limited company which will go into production in July 1977 — with an annual capacity of 1.80 million tons to meet the new contract. Fiftyfive per cent of equipment of the Rs 42 crore project would be imported from Austria, he said. At present, Chowgules export 5.50 lakh tons of pellets and four lakh tons of ore limps and fines to Japan.

Mr Chowgule said, his company proposed to set up a Rs 240 lakh pelletisation plant near Mangalore with an annual capacity of six million tons.

The new pelletisation plant near Mormugao was expected to go into commercial production by October 1977 by which time new mechanical ore handling facilities would be set up at Mormugao port. This would facilitate quick handling and shipping of the pellets, he said.

Fishing Trawlers in India

An agreement between the government of India and M/s Astilleros Imesa, S.A., Mexican shipyard, was signed recently for the supply of designs and detailed shop drawings of fishing vessels to facilitate the construction of similar vessels in Indian shipyards. Mr Manzolillo, Technical Director signed the agreement on behalf of the shipyard and Mr S.P. Balasubramanian, Joint Secretary (Fisheries), ministry of Agriculture, on behalf of the union government. Contracts were also signed for the supply of four fishing trawlers of 23 meters length at Rs 24 lakhs each between the Mexican shipyard and Indian buyers, as part of the purchase of 20 trawlers from Mexico. Similar agreements are proposed to be signed with Poland and Italy shortly for the supply of designs and purchase of vessels from them. The programme for the import of trawlers is 100 per cent export-oriented. The trawlers are expected to earn their value in foreign exchange in three years by export of marine products. Already our marine exports amount to nearly Rs 90 crores. The fifth Plan envisages the introduction of 200 deep sea fishing trawlers. During the first two years of the fifth Plan it is proposed to import 60 trawlers. Another 60 trawlers of the same design are to be constructed indigenously.

Trade Fairs

Plovdiv Fair

The India pavilion at the Plovdiv International Trade Fair in Sofia (Bulgaria) became one of the centres of attraction for the visitors, according to the information received here. Nearly 38 Indian firms participated in this Fair displaying engineering items, textile goods, coffee, cashew, cigarettes, sports goods, footwear, handloom fabrics and handicrafts.

Zambia Fair

In the Zambia trade fair, where the India pavilion was adjudged the best among the international pavilions, Indian participants were able to secure some substantial orders. These include orders for bicycle and bicycle parts, tractors, diesel engines. This country was also able to get orders for water coolers, deep freezers, pharmaceuticals and diamond drilling mining machinery.

Berlin Fair

In Berlin, the Trade Development Authority organised India's participation in the Overseas Import Fair "Partners in Progress". Importing firms from Belgium, Sweden, Australia, France, Italy and West Germany visited the India Pavilion. The total value of orders booked was Rs. 44 lakhs and as many as 100 enquiries were registered.

Names in the News

Mr Aditya Vikram Birla has taken over as Honorary Consul General of the Republic of the Philippines at Bombay. A graduate in chemical engineering of the Massachusetts Institute of Technology, Mr Birla has wide management experience. He has pioneered Indian joint ventures in Thailand and Indonesia in the fields of man-made fibres and textiles and is presently setting up a joint textile venture in the Philippines.

Mr Krishnaraj M.D. Thackersey, ex-chairman of Indian Cotton, Mills Federation, has been elected President of the International Federation of Cotton and Allied Textile Industries, (IFCATI,), a a world body representing the textile industry, at its Annual Conference held at Venice, Italy, from 16—20 September 1974. This is the first time that an Indian has been elected to the presidentship of this international organisation, enjoying consultative status with United Nations and other inter-governmental organisations. IFCATI is the only international forum for the cotton and allied textile industries of the world. It will hold its next annual conference at Bombay in November 1975.

Readers' Roundtable

Hydergine Rerated

Sir—Thank you for your prompt action in publishing our letter MD; scn. dated August 16, 1974, in your issue of September 6 (p. 438).

We would like to refer to your comments, also in that issue, that the observation in *The Guardian*, which was quoted in your journal dated May 24 (p. 1023), related presumably to the position as it was before the 'upgrading' was effected, on the basis of further evidence.

In reality, Hydergine was upgraded on *March 13, 1974* in spite of which *The Guardian*, published its incorrect report on *May 13, 1974*, that is much after the revaluation of Hydergine, by FDA. We shall be grateful if you could clarify this matter in your journal.

Bombay

SANDOZ (INDIA) LIMITED

We reproduce the "correction' published by *The Guardian*' clarifying the position :

"In an article in *The Guardian* on May 13, it was stated that Hydergine, a drug manufactured by Sandoz for the treatment of cerebrovascular insufficiency, had been rated as "lacks substantial evidence of efficacy for some indications; possibly effective for other indications." We have been asked to point out that Hydergine was rerated by the US Food and Drug Administration on March 13 as effective for indications similar to those for which the drug is promoted in England."

—EDITOR

COMPANY AFFAIRS

National Forum of Shareholders' Plea

THE EXECUTIVE committee of the National Forum of Shareholders has called for the withdrawal of the dividend freeze in order to arrest the rise in prices. The execution committee which met in New Delhi last week noted that the dividend freeze had not achieved its objective of checking inflation. On the other hand, it had abetted inflation. The companies, according to the executive committee, had been allowed to retain about Rs 150 crores which in the normal course would have been distributed as dividend. "This money with the companies" it observed, "has led to further hoarding of stocks, causing further rises in prices." The dividend freeze, it further added, had blocked fresh lines of business activity by new entrepreneurs as no public issue would become successful under the present circumstances.

Meanwhile shares, after initial steadiness, retreated on the Bombay Stock Exchange during the past week on nervous bull unloading coupled with short selling. Trading activity was on a reduced scale and closings showed moderate losses. Distressed conditions prevailed on the Calcutta Stock Exchange during the week following absence of fresh enquiries. There was practically no support in almost all sections. It was a week of moderate activity on the Madras Stock Exchange with select scrips in sugars, coffee, textiles, chemicals and industrials interesting buyers. The undertone was generally steady.

India Steamship

India Steamship Company's fleet completed during the year 30 round voyages in the overseas trade and two in the coastal trade as against 39.5 round voyages of which 30.5 voyages were in the overseas trade and nine in the coastal trade in the preceding year. The earnings from freight during the year amounted to Rs 19.78 crores. After appropriating a sum of Rs 179.96 lakhs to depreciation reserve and meeting all other normal charges, the profit and loss account was left with an amount of Rs 329.32 lakhs. Out of this, Rs 108.00 lakhs was allocated to development rebate reserve. The balance amount after providing for income tax was transferred to the general reserve. The directors have recommended a taxable equity dividend of 12 per cent, the maximum permissible under the dividend ordinance besides payment to the preference shareholders at five per cent grossed up. The equity dividends will absorb Rs 29.70 lakhs while preference dividends will claim Rs 1.62 lakhs and it will be paid out of the general reserve. The company has added three ships to its fleet during the year. Two of these ships have already been taken delivery of and the third one is expected to be delivered in a couple of months. These are very modern and sophisticated ships which are eminently suited for the company's purpose. The fleet of this company will be further augmented by the addition of the first two ships that are being built for the company by the Hindustan Shipyard within the course of this year. With these additions the company would be better equipped to serve the trades. The expansion programme of the company is under active consideration so as to serve the export needs of the country by diversification of its trade and also by making more space available for carriage of goods. In furtherance of this policy, the company has signed an agreement for placing an order for two ships with Hindustan Shipyard Ltd and is also on the look out for the purchase of suitable vessels.

Ratnakar Shipping

Despite difficulties Ratnakar Shipping Co. Ltd has reported fine progress during the year ended March 31, 1974. Gross earnings during the year registered an appreciable rise of 44 per cent over 1972-73 while gross operating profit rose spectacularly from Rs 21.27 lakhs to Rs 110.60 lakhs. The attainment of these results were rendered possible partly on account of the rehabilitation programme undertaken by the company and also due to the economically viable rates that were prevalent in the freight markets. The impressive working results achieved during the year have enabled the directors to recommend a higher dividend of 10 per cent for the year. The company has embarked on an ambitious expansion programmes. Orders for four ships — two on Garden Reach Workshops and two on a Spanish shipyard have already been placed and further proposals are being actively examined. The company hopes to achieve a target of 250,000 dead weight tons by 1976. Much will, of course, depend on the availability of loans from the Shipping Development Fund and the much needed relaxation in its terms. A slight controversy has arisen in connection with the price of the two ships ordered on Garden Reach Workshops. Efforts are being made to resolve the matter with the assistance of the government.

Dunlop

Dunlop India Ltd has exported further improvement in production and sales during the first half of 1974. Its income during Jan-June 1974 was Rs 60.37 crores. After deducting manufacturing and trading expenses, the balance from trading amounted to Rs 3.11 crores. After setting apart Rs 90.56 lakhs to depreciation reserve and Rs 49.66 lakhs to meet interest charges, the profit before tax amounted to Rs 170.88 lakhs. A sum of Rs 90.57 lakhs was provided for taxation, leaving the profit after tax at Rs 80.31 lakhs. Power supplies in the first six months of the year were very much better than in the corresponding period of 1973 and production and sales improved substantially. However, by June 1974, the average cost of raw materials had risen by nearly 50 per cent as compared to June 1973. Selling prices of automotive tyres were decontrolled on April 29, 1974 which gave the company an opportunity to recover, in the last two months of the half year, a part of the raw material cost escalation which had taken place since November 1968, the last occasion on which automative tyre prices were increased. Since August the Sahaganj factory has been restricted to 16 shifts per week due to the West Bengal power rationing scheme and raw material shortages, particularly rayon due to insufficient supplies of imported wood pulp, are beginning to affect production. Nevertheless it is anticipated that with the full half year's effect of improved selling prices, results for the second six months of 1974 will show a further improvement. The board regrets that following the promulgation of the dividend ordinance consideration of the dividend for the year 1974 will be deferred until such time as the results for the full year are available.

Polychem

After several years, Polychem's efforts to obtain a letter of intent for the manufacture of acrylonitrile Butadiene styrene (ABS) resins have become successful. The grant of this letter of intent is conditional upon using indigenous technology to develop indigenous commercial technology for production of ABC resins. A pilot plant based on laboratory scale know-how developed by Sri Ram Institute and purchased through National Research and Development Corporation is expected to be commissioned shortly. The company's application for the grant of a letter of intent for the manufacture of vinyl acetate monomer and other related products is under the consideration of the government and the company looks forward to receiving the same which will permit further diversification. Independent facilities for the manufacture of country liquor have recently been commissioned. This will permit doubling its production as also of Indian-made foreign liquors. It is gratifying to note that the company's potable liquors have been well received by the markets and they are in high demand.

Indian Organic

Indian Organic Chemicals had achieved during the first five months of the current year a substantially higher turnover of Rs 11.71 crores as compared to Rs 7.55 crores in the similar period of last year. The company's polyester fibre plant is operating at about 50 per cent of its capacity and it is receiving at present about 300 to 350 tonnes of DMT. If more DMT becomes available the company would be in a position to step up considerably its fibre production. The Khopoli unit has given an outstanding performance except for the continued stagnation in the plasticisers plant due to the non-availability of phthalic anhydride at the right price. The company had again applied for a licence for the manufacture of phthalic anhydride. The expansion of the benezyl products plant which commenced last year, is expected to be completed this year. The company will also be expanding in the next two to three months its production of monochloro acetic acid. The

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NEW DELHI, SAMBHAJI (GOA)

company is setting a distillery with a capacity of eight million litres of alcohol in the backward region of Marathwada. The project is estimated to cost Rs 1.10 crores and is expected to be completed in a couple of years. The company is also expanding its production of certain chemicals.

Garware Nylons

Garware Nylons Ltd has made substantial progress in the current year despite raw material shortages and higher costs. Sales in the first five months (April — August) have gone up by 23 per cent to Rs 5.19 crores from Rs 4.15 crores in the same period of 1973. The company has also made encouraging progress in the implementation of its diversification programmes. The polyester filament yarn with an annual capacity of 360 tonnes is expected to commence commercial production by second quarter of 1975. The plant for the recovery of caprolactum from polymer waste is also likely to go into production by the same time. The company is exploring the possibility of setting up a weaving unit. The company has signed an agreement with the government of Negeri Sembilan, Malaysia, for the setting up of a joint venture project for the manufacture of fabrics from man-made fibres in that country. The company's equity participation will be to the extent of 30 per cent and it would receive a royalty of two per cent for five years for the supply of technical know-how, engineering services and training.

Kothari Madras

Kothari's two sugar factories — one in Trichy district and the second in Sirugappa in Karnataka—are expanding their capacity. By 1976-77, the two factories together will crush 11 to 14 lakh tonnes of cane and account for a total sugar output of one lakh tonnes. Orders for machinery for the expansion of Sirugappa unit have already been placed and for the expansion of Trichy unit orders will be placed soon. The two factories together will have a turnover of Rs 23 to 24 crores on completion of the expansion plans. The expansion schemes will cost about Rs six crores.

The formulation for setting up a new unit for the manufacture of caustic soda and allied chemicals, it is understood, has reached a fairly advanced stage. The factory will be located in Madras with an annual capacity of 33,000 tonnes of caustic soda. Besides, manufacturing 40,000 tonnes of ammonium chloride, other chemicals such as will also be manufactured. The estimated cost of the project will be Rs 14 to 15 crores.

There are two other projects whose implementation is expected to be completed in three or four years. One is for the manufacture of half-a-million watches to start with and which will go up to one million pieces later. The project, estimated to cost Rs five crores, will have a tie-up with Voumard, the well-known light machine tool manufacturers of Switzerland.

News and Notes

Kanoria Chemicals and Industries has received a letter of intent for substantial expansion of its caustic soda plant from 33,000 tonnes to 66,000 tonnes per annum. The company has also received a letter of intent for expansion of stable bleaching powder plant from 5,000 tonnes to 15,000 tonnes per annum. But its application for increasing the capacity of the plant for the manufacture of toluene di-Isocyanate from 3,600 tonnes to 6,000 tonnes is still under the consideration of the government. The government, however, has approved the foreign collaboration proposal for the Methyl Methacrylate monomer and the company has concluded a collaboration agreement with Messrs Rohm and Haas. Texas Inc., USA. Meanwhile the company has extended the date of redemption of 20,000 (9.5 per cent) redeemable cumulative preference shares issued on March 28, 1962 by 10 years —from March 28, 1974 to March 28, 1984. The rate of dividend has been enhanced from 9.5 per cent to 9.8 per cent with effect from March 28, 1974.

The fee for the grant of an industrial licence has been increased from Rs 50 as at present to Rs 500. The increase will be effective from October 1, 1974. It has become necessary to enhance the fee on account of overall increase in costs. The government has set up a new secretariat for industrial approvals since November 1, 1973. To ensure expeditious disposal of applications. The government has also considerably liberalised exemptions from licensing. Consequently investments upto Rs one crore stand exempted from the licensing provisions subject to certain conditions, with the result that small and medium entrepreneurs in most cases do not require to take out industrial licences.

New Issues

A new pelletisation plant with an annual capacity of 1.8

Eastern Economist 30 Years Ago

OCT. 6, 1944

World trade has been subjected to so many strains and stresses, particularly since the thirties of this century, that if it is to be aided to grow, some sort of international cooperation would appear to be essential. The necessity for international co-operation will be appreciated if we look at the position in the two decades that intervened the war of 1914-18 and the present war. The laissez faire policy of the nineteenth century world had met with an inglorious end and, what is more, the period 1919-39 turned out to be the most eventful for restrictions in the history of world trade. War debts and reparations made the balance of payments position very difficult, particularly for the debtor countries, and it was towards the end of the twenties that restrictions on international trade came to be placed, all with a view to easing difficulties arising from the balance of payments position. During the Great Depression of 1929-33 world trade contracted and more restrictions by way of tariffs and quotas came to be levied in this period. In order to ease the movement of goods between countries, a series of trade agreements came to be negotiated, the most outstanding of these being the Ottawa Trade Agreements of 1932, concluded between the different members of the British Commonwealth of Nations. These agreements as well as the agreements concluded by the U.S.A. round about 1936 were all bilateral in character, i.e., the procedure adopted for negotiations was bilateral.

million tonnes is being set up near Mormugao harbour, Goa. A new company styled **Chowgule Metal Industries Ltd** has been promoted for undertaking this project. The plant is based on a new technique developed through continuous research and tests that Chowgules have carried out at their first plant in Pale. Iron ore fines needed by the plant will be supplied by the Sirigao, Costi and other mines of Chowgules in Goa. The plant is expected to go into commercial production by October 1977. The new company will have an issued capital of Rs 5 crores—Rs 4 crores in equity shares and Rs 1 crore in preference shares. To raise resources for the implementation of the project the company will be entering the capital market some time in March next. Of the total equity capital, Chowgules will take up 40 per cent, financial institutions and the central government 35 per cent and the remaining 25 per cent will be offered to the public.

Shree Vindhya Paper Mills will be raising further capital for financing partly the cost of its expansion programme. The company has a plant at Nasik in Maharashtra to manufacture art-paper, art-board, chromo-paper and black-centred art card. The installed capacity is 1,500 tonnes per annum. These products are extensively used for sophisticated printing jobs, such as, catalogues, technical literature, brochures, calendars, balance sheets, diaries, fancy cartoons, labels and playing cards. The company which has embarked on an expansion programme envisages the establishment of additional capacity near the present unit. The expanded installed capacity will be around 4,000 tonnes per annum and at a later stage the installed capacity would be raised further to 6,000 tonnes annually. The capital outlay on the new unit is estimated at Rs 1.62 crores which will be met by the additional share capital of Rs 60 lakhs, foreign currency loan from ICICI of Rs 40.15 lakhs, rupee loans from IFC and ICICI of Rs 40 lakhs and internal sources of Rs 21.85 lakhs. Of the additional equity capital, Rs 15 lakhs will be reserved for subscription by directors and their friends, while Rs 4.95 lakhs will be reserved for firm subscriptions by IFC. The balance of Rs 40.05 lakhs would be offered to the public for subscription.

Southern Boraax is setting up a plant near Madras for the manufacture of borax and boric acid. The company, with an authorised capital of one crore of rupees, has been promoted by the well-known entrepreneurs Mr P. S. Bhashyam and Mr K. R. Radhakrishnan in association with Tamil Nadu Industrial Development Corporation Ltd. The manufacture of borax is now entirely the monopoly of an international organisation. Borax is now manufactured in the country by Borax Morarji Ltd who are the collaborators of this international combine.

The Southern Boraax Ltd is having thus the rare privilege and unique distinction of being a pioneering venture in the country. Besides developing its own know-how, Southern Boraax will be procuring the entire machinery for the unit indigenously, particularly from Tamil Nadu. Work on the project is proceeding apace and the plant is expected to go on stream by about March 1975. It is proposed to produce boric acid by 1976, starting from Borax itself as the raw material through a novel method. It has also been planned to manufacture compounds based on boron namely micronutrients, weedicides, herbicides, insecticides, detergents, boron carbide, boron nitride, zinc borate and other boron compounds. The capital outlay on the project is estimated at Rs. 94 lakhs. It will be financed by the equity capital of Rs 40 lakhs while loans will be raised to the tune of Rs 54 lakhs. Out of the equity capital, TIDCO will subscribe to equity shares worth Rs 10.40 lakhs while equity capital of the order of Rs 10 lakhs will be taken up by the promoters. The balance of Rs 19.60 lakhs will be offered to the public for subscription. Arrangements have been finalised to underwrite the entire public issue by financial institutions and stock brokers.

The foresight and vision of the promoters can well be imagined if it is noted that there is a yawning gap between the present production and the demand for borax and boric acid. The total demand for borax in 1974-75 is estimated at 51,700 tonnes whereas the installed capacity of the only other existing manufacturer, the Borax Morarji Ltd., is 15,000 tonnes of borax and 3,000 tonnes of boric acid per annum. Thus the entry of Southern Boraax into this field will be a laudable effort to produce a valuable scarce key material indigenously. Besides meeting the requirements of the domestic market, the company will be selling a substantial quantity of its products overseas.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Hindustan Wire Products	March 31, 1974	12.0	10.0
Same Dividend			
Arunodaya Mills	Dec. 31, 1973	12.0	12.0
Hindustan Motors	March 31, 1974	Nil	Nil
Hindustan Breweries	March 31, 1974	Nil	Nil
Indian Detonators	June 30, 1974	10.0*	10.0
Reduced Dividend			
Bharat Bijlee	June 30, 1974	8.0*	15.0
Consolidated Coffee	June 30, 1974	12.0	18.0
Gramaphone Co. of India	June 30, 1974	12.0	18.0
Hukumchand Jute Mills	March 31, 1974	4.0	7.5

* On Increased Capital.

RATNAKAR SHIPPING CO., LTD.

SPEECH OF THE CHAIRMAN,

Mr. K. K. Birla

The following is the speech delivered at the Fourteenth Annual General Meeting held in Calcutta on Friday the 20th September, 1974.

Gentlemen,

I have great pleasure in extending to you all a warm welcome to the Fourteenth Annual General Meeting of the Company. The Directors' Report and the Accounts of the Company for the year ended 31st March, 1974, have been in your hands for some time now and, with your permission, I shall take them as read.

Mr. K. K. Birla

The year under review was a most challenging one throwing up a series of crises. The set back in food production on account of severe drought conditions, the steep rise in price levels of essential commodities, widespread scarcity of consumer goods and the deplorable stagnation in industrial growth as a result of drastic power cuts, critical shortages of raw materials and an acute bottleneck in the transportation systems, have all combined to throw our economy out of gear. The international oil crisis, provoked by the West Asian hostilities in Oct. 1973, further added a new dimension to our difficulties. The unilateral action of the OPEC countries in increasing substantially the cost of crude oil and restricting its supplies, have considerably strained the economy of the nations of the world particularly of the developing countries like that of ours which had to bear the brunt of the oil crisis.

As against this gloomy picture, the successful explosion of a nuclear device conducted by our country served to inspire a new confidence in us to face all the challenges with courage and determination. This nuclear explosion has not only earned for India a place of pride amongst the Nuclear Powers but also marked the rapid strides that our country has made in the field of Science and Technology.

India can now look forward to the harnessing of the Nuclear Energy for peaceful and constructive purposes. I take this opportunity to offer my congratulations to the Government of India and our distinguished scientists for this magnificent achievement.

Fighting Inflation

Reverting back to the problems confronting us, the Government of India has initiated certain anti-inflationary measures, with a view to containing the spiralling inflation, that is plaguing our economy today. I hope that these measures would yield the desired results and serve to correct the imbalances in the economy. But the real remedy lies only in increased production all round. Unfortunately, the industries throughout the country are facing several constraints to greater output, as already detailed earlier. Unless these impediments are removed and the challenges posed to our economy are met with confidence and hope, there cannot be any improvement in the situation.

As you are aware, the Shipping Industry is most susceptible to international situations governing trade. Besides the oil crisis, the uncertainty in international currency markets has also adversely affected the Shipping Industry. Notwithstanding the endeavours of the "Committee of Twenty" the currencies of the Nations are still freely floating. This has created more problems for the developing countries like India, where as a consequence, the Rupee value is going down. It is therefore, time that the advanced nations of the world took appropriate corrective measures in this regard which alone would go a long way in restoring stability to International Shipping.

Against this background, let me briefly outline the performance of your Company during the year 1973-74. The Accounts and the Report of the Directors, which are already with you, indicate that in spite of the difficulties enumerated about the working results of your Company have been quite satisfactory. The gross earnings have registered an increase of 44 per cent over the previous year and the gross operating profit has increased from Rs 21.27 lakhs to Rs 110.60 lakhs. In view of these impressive results your Board has great pleasure in recommending an increased dividend of 10 per cent. As already mentioned in the Directors Report, the attainments of such results were rendered possible partly on account of the rehabilitation programme of the fleet undertaken by our Company and also due to the economically viable rates that were prevalent in the freight markets.

Expansion Schemes

Your Company has ambitious expansion plans. As you are aware, orders for four ships, two on Garden Reach Workshops Ltd., Calcutta and two on a Spanish Shipyard have already been placed. Further proposals are being actively examined and the Company hopes to achieve a target of 250,000 deadweight tons by 1976. Much will, of course, depend on the availability of loans from the Shipping Development Fund Committee and the much needed relaxation in their terms. I might also mention that a slight controversy has arisen in connection with the price of the two ships ordered on Garden Reach Workshops and we are endeavouring, with the assistance of the Government, to resolve the matter.

The international freight market has weakened considerably in the past 3/4 months. The freight levels today are about 20% below those obtaining in May/June this year. Largely, this can be ascribed to the ingress of tankers into dry cargo trading and also the lower movement of bulk commodities such as wheat, fertilizers, etc., due to shortage of production in most countries. The Suez Canal is also expected to reopen some time next year and this could well weaken the market further. The reopening of the Suez

Canal would, however, enable a quicker turnround of ships by reducing the voyage time thereby, reducing costs and affording more frequent sailing and availability of space to the export/import trade. This would specially benefit our country which is today suffering somewhat in its export programme due to want of shipping space and we cannot afford to let exports suffer at any cost particularly because we have to now pay a very much increased import bill for oil products. I may mention also that although, these are general indications of the prospects, the ships of your Company have been fixed till the end of 1975 at good rates and we should not be affected by the aforesaid factors till then.

Plan Target

In recent years there has been a rapid growth of the Indian Shipping and the present tonnage in operation is about 3 million GRT. The Government of India is most anxious to expand the country's tonnage and has fixed an ambitious target of 8.6 million GRT for the Fifth Five Year Plan. With a view to enable the Shipping Industry to fulfil this target the Government has recently decided to relax, in specific cases, the terms and conditions of SDFC loans/guarantees with regard to Debt Equity Ratio and the security margins to be provided. It is of course a step in the right direction and this will help the Shipping Companies to acquire additional tonnage. It is however hoped that the SDFC would extend this relaxation in the terms to all deserving cases and would eventually find it possible to grant a general relaxation of these terms to all the Shipping Companies, instead of limiting them to specific cases only.

One more important factor is that, the industry is presently facing an acute shortage of qualified floating staff personnel in spite of a good number of officers being trained every year. Unfortunately, a large number take up employment in other countries. Indian Shipping is presently in a phase of rapid expansion and if the floating staff position does not improve, this phase will be seriously affected. It is, therefore, essential that qualified staff and their Unions realise this position and act in the national interest.

Need for Assistance

Shipping is a highly capital intensive industry and in the last few years the prices of ships have gone up considerably. I would, therefore, urge the Government to render the industry all assistance so as to secure its rapid expansion. Assistance in the shape of the relaxation of the conditions governing the Debt Equity Ratio. Provision of Security for the loans, etc., would go a long way in enabling the Shipping Companies to acquire additional tonnage. The Debt Equity Ratio has been relaxed from 6:1 to 10:1 in cases where SDFC issues only guarantees without granting any loans. I feel that this relaxation should be extended to all cases.

As for the terms relating to the provision of security, Government has reduced the margin from 1331/3% to 120%. Smaller Companies which are planning to expand rapidly are likely to face the difficulty in providing even this reduced security of 120%. Here I would like to mention that although SDFC grants a loan to the extent of 90% of the price of the ship, the amount is actually disbursed over a period of years. The repayment of the loan, however, commences immediately after the delivery of the ships, with the result that at any point of time, the actual maximum loan outstanding will only be about 50% of the cost of the ship thus offsetting the very benefit that is intended to be given to the industry. In view of this, the mortgage of the ship itself should be considered as adequate security for the loan/guarantee.

Besides, with a view to meeting the increasing requirements of the Shipping Industry, the Government should also allocate sufficient rupee funds to the SDFC for granting loans to the Shipping Companies. To finance the acquisition of ships abroad, the Shipping Companies are now obliged to raise foreign exchange loans which are repayable over a period of 7/8 years. However, as newly acquire ships will not be in a position to generate adequate surplus funds to repay these loans in such a short period, particularly also because of high interest rates on foreign loans, the Shipping Companies have therefore necessarily to depend on SDFC rupee-loans for this purpose, which are repayable over a longer period. Hence a liberal allocation of rupee loans would greatly help the Shipping Industry to augment the additional tonnage fixed for the Fifth Plan period.

Purchase Conditions

The Government of India while approving the purchase of ships from abroad is stipulating a 'pari pasu' condition under which the Shipping Companies are required to place orders for a similar tonnage on the indigenous shipyards. This condition needs careful reexamination. A reasonable ratio in this regard should be worked out so that after taking into account the total tonnage that can be built by the indigenous shipyard, the Shipping Companies could be permitted to acquire the remaining tonnage from abroad for fulfilling the plan targets. With the order book full till 1978 in most yards here, the 'pari pasu' clause has become impractical to implement also.

Furthermore, the existing capacity of the indigenous shipyards is very limited and should be substantially augmented both by increasing the capacity of the existing yards as well as by constructing new ones.

I would also like to stress on the need to improve the port facilities which are so essential for quicker turnround. Another essential factor that should be considered in regard to the expansion of the Shipping Industry is the extension of the benefit of the development rebate, especially when the industry is on the threshold of expansion.

I hope the Government will sympathetically review the above factors in the interest of the Shipping Industry.

Before concluding, I would like to express my thanks to the officials in the Ministry of Shipping and Transport, Directorate General of Shipping and other departments of the Government of India and to the SDFC for their vauable assistance to the Company. I would also like to place on record my appreciation for the loyal and efficient service rendered to the Company by its officers and staff, both afloat and ashore. I offer my thanks to our Agents also both in India and abroad, for their valuable contribution in the successful functioning of your Company.

Thank you.

Note: **This does not purport to be a record of the proceedings of the Annual General Meeting.**

RECORDS AND STATISTICS

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The Eastern Economist Ltd.,
Post Box No. 34, New Delhi-1

INDIAN ORGANIC CHEMICALS LIMITED

SPEECH OF THE CHAIRMAN

Shri B. M. Ghia

Delivered at the 14th Annual General Meeting
On 25th September 1974

Fellow Shareholders,

I welcome you to the 14th Annual General Meeting of the Company. With your permission, I shall take the Directors' Report and the audited accounts of the Company as read.

Industrial Climate

So much discussion has taken place already on this subject in public forums that I feel diffident about the usefulness of any observations from me. However, I should, perhaps, offer some remarks in conformity with convention. The fears I expressed last year regarding the worsening of the economic situation have, unfortunately, been greatly surpassed. Few have been spared the impact of problems, bewildering in their variety and unprecedented in dimensions. It is somewhat encouraging to note that the Government has shown eagerness to control the runaway inflation. However, there seems to be much weighty opinion in support of the view that the recent Ordinances (since approved by Parliament) may prove to be inadequate. Anxiety is being felt whether the Governmental measures would alleviate, in time, the galling shortages of the primary necessities of life as well as the massive deficiencies in fuel, power, transport and raw materials that are crippling industrial production. Inflationary conditions in other countries and the steep hike in oil prices are doubtless relevant to some extent but sound policies that would elicit cooperative effort on a national scale seem to be prime need of the hour.

Khopoli Unit

This unit has put up an outstanding performance excepting for the continuing stagnation in the plasticizers plant for reasons beyond our control. Phthalic anhydride at the right prices is still not available except perhaps to companies owning captive sources of production. The retardation in the growth of the PVC Industry is the other contributing factor.

We may be justifiably proud of the pioneering export effort in our line of chemicals, which we wish to continue during this year, if conditions permit.

The decision to instal a distillery with a capacity of 8 million litres might eventually help to stabilise the supply of our own alcohol requirements. The new unit is proposed to to be located in Marathawada (declared to be a backward area) and may fructify perhaps in a couple of years. The addition to our existing plants for producing acetic anhydride is expected to be completed next year.

Manali Unit

The polyester fibre industry has been pleading for progressive and appropriate reduction in the massive rate of excise duty so as to catalyse the slow process of expansion of the market for blended fabrics, without which the more recent three-fold increase in the installed capacity for production of fibre cannot be fully or meaningfully utilised. Among other benefits to the economy, the proposal would help to reduce the deficiencies in the supply of cotton (especially the imported varieties) to the expanding textile industry. Unfortunately, on the other hand, there have since been substantial increases in duties all round i.e. from the raw material for the fibre up to the garment stage. Together with other constraints, the effect has been to raise the prices of the fibre, which in turn, tend to constrict even the existing demand, which will ultimately prejudice Government revenues as well. The Association of polyester staple fibre manufacturers is taking action on problems facing the industry, as a whole, from time to time. Accordingly, it is also persevering, in its commendable efforts to convince the authorities of the need for timely action on our views regarding excise duties, which have been conceived only for furthering long-term national interests, and not undue benefits to the industry in the short-term.

Research and Development

We are concentrating on this aspect of our operations for some time both at Khopoli and Manali with a view to innovating processes for existing or new products as well as indigenous substitution of imported materials or equipments. A first-class pilot plant is now operating in Manali. These efforts will be maintained to the maximum extent possible.

Finance

I deeply regret that the dividend to the equity shareholders had to be restricted because of Legislative restrictions.

Since 1st April of this year we have repaid Rs 54 lakhs and propose to repay further almost a similar amount before the end of the year towards the outstanding term loans amounting to Rs 543 lakhs. The credit squeeze and the steep increase in borrowing rates will have to be tackled in the best manner possible but as usual, we will meet such challenges with optimism and the confidence you have always placed in the Management.

Conclusion

I have sincere pleasure in expressing our gratitude to employees of all ranks, the Centra Government and the Governments of the Maharashtra and Tamil Nadu for their co-operation and assistance.

Thank you.

RECORDS AND STATISTICS

Cotton textile industry in prespective

THE INDIAN Cotton Mills' Federation has made a study of the "Trends in Indian Cotton Mill Industry" with particular reference to the year 1973-74. The following summary, reproduced in full, and the tables highlight the performance of the industry in all its aspects.

Indian cotton mill industry, one of the oldest in the world, has just completed 120 years. The last year of its twelfth decade, namely 1973-74, was a good one, though not free from difficult problems. Shortage of power and fuel, prolonged labour strikes in one centre after another, and all-round rise in costs were the main difficulties of the industry. There was large under-utilisation of capacity during the major part of the year, even though the available supply of cotton was large enough to enable the industry to operate at a higher level.

Production and Exports

Yarn production in the calendar year 1973 was marginally better, that is, by 2.6 per cent, as compared with that in 1972, but cloth production in the mill sector was down by 1.7 per cent. Following the slight rise in yarn production and severe restraints on exports of yarn, the availability of free yarn for the decentralised sector was higher at 458 million kgs., as against 448 million kgs., in 1972. But because of dislocation caused by the controls on prices and distribution of yarn, the flow of yarn to the decentralised sector was seriously disturbed. This, coupled with the adverse effect of power-cuts on powerlooms, resulted in a fall in the production of cloth by handlooms and powerlooms. The total cloth production was, therefore, substantially lower by 251 million metres or 3.2 per cent. The fall was greater still in the fiscal year 1973-74, being 284 million metres or 3.6 per cent. The most impressive feature of the year 1973 was the spectacular increase of nearly 50 per cent in exports of cotton textiles at Rs 256 crores. In the fiscal year 1973-74, cotton textile exports were even larger at Rs 275 crores, as compared with Rs 183 crores in 1972-73.

Per Capita Availability

Larger exports from a relatively smaller production brought down the per capita availability of cotton cloth from 13.27 metres in 1972 to as low as an estimated 11.97 metres in 1973, a far cry from 14.69 metres that were available a decade earlier.

Cotton

Cotton production in the 1973-74 season was disappointingly low, an estimated 60 to 62 lakh bales (of 180 kgs.) as compared with 65 lakh bales in 1972-73 and 72 lakh bales in 1971-72. There was a

TABLE I

Latest Data—Production—Exports

(As on 1-3-1974)

Capacity

	No. of Mills	Installed spindles (Million)	Installed Looms (Thousands)
Spinning Mills	401	6.31	—
Composite Mills	287	12.18	205.1
Total	688	18.49	205.1

Production

	Cotton Yarn (Million Kgs.)	Mill Cloth (Million Mtrs.)
1974 January-June*	464	1,959
1973 January-June	459	2,035
1972 January-June	472	2,094

Exports

	Cotton Fabrics		Cotton Yarn		Apparel, Hosiery and other manufactures excluding handloom products (Mill. Rs)	Total (Mill. Rs)
	Quantity (Mill. Sq. Mtrs.)	Value (Mill. Rs)	Quantity (Mill Kgs.)	Value (Mill. Rs)		
1974 January-June*	235.39	727.68	4.73	57.96	404.21	1189.85
1973 January-June	247.03	464.03	6.73	84.09	239.79	787.91
1972 January-June	184.91	343.97	10.08	104.16	220.45	668.58

*Provisional.

boom in cotton prices the world over. From about 34 US cents per lb. in October 1972, the price of American cotton (strict middling 1-3/32″) touched a high of 96.30 cents a lb. in October 1973. There was a similar increase in the prices of other growths. This boom, coupled with an import duty of 40 per cent *ad valorem*, rendered foreign cotton beyond the reach of many mills. From an average of 7 to 8 lakh bales a year, India's import of foreign cotton became a trickle, being not more than 1.50 lakh bales in 1973-74. Monthly mill consumption of cotton which averaged at 5.32 lakh bales in the first 8 months of 1973, picked up in the last four months to average as high as 6 lakh bales.

Cost Inflation

The cumulative effect of these factors was a sharp, virtually unbroken, rise in the prices of Indian cotton from March 1973 onwards. The upward trend accelerated particularly after the beginning of 1974 and cotton prices reached record high levels in April-May 1974. The industry's wage bill also went up equally sharply and so too the cost of almost all other inputs. The cloth and yarn prices in the period under review reflected this unprecedented cost inflation.

Controls

The statutory control on prices, production and distribution of cotton yarn introduced on March 13, 1973 was found to be unworkable. Government was pragmatic enough to realise this fact and dismantled the control over stages in the latter half of 1973 and early in 1974, even though towards the close of November 1973 the Supreme Court had upheld the constitutional validity of the control. The industry on its part has adopted measures of self-discipline for stabilising the prices of yarn.

The controlled cloth scheme stayed, with prices being kept unchanged at May 1968 level. Towards the end of March 1974, government doubled the quantum of controlled cloth to 800 million sq. metres (equal to 880 million linear metres) a year from April 1, 1974 and raised the ex-mill prices by 30 per cent over the May 1968 level. This increase covers only a fraction of the 136 per cent rise in costs since May 1968, so that the loss on controlled cloth to the industry is nearly Rs 100 crores per annum. Following the revised controlled cloth scheme, the voluntary control on the prices of wearable non-controlled cloth of coarse and medium varieties brought into force on July 20, 1973 has been withdrawn.

Tax Burden

There was a further increase in the taxes levied on the industry in the year under review. The 1974-75 Central Budget contained a fresh addition to the excise burden on cotton textiles which now aggregates approximately Rs 173 crores. The import duty on cotton was kept unaltered at 40 per cent. The excise duty on some of the man-made fibres, which have now become a valuable supplement to cotton as raw material for the mill industry, were also enhanced. The industry's contribution to the central and state exchequers by way of excise duty, import duty, sales

TABLE II

Growth of Indian Cotton Mill Industry

Year	Spinning Mills		Composite Mills				Total	
	Number of mills	Spindles installed (000)	Number of mills	Spindles installed (000)	Looms installed (000)	Automatic looms installed (included in Col. 6) (000)	Number of mills (Cols. 2 and 4)	Spindles installed (Col. 3 and 5) (000)
As at commencement								
1951	103	1,843	275	9,156	195	n.a.	378	10,999
1952	107	1,911	276	9,341	196	n.a.	383	11,252
1953	113	1,947	282	9,476	198	n.a.	395	11,423
1954	114	2,097	286	9,554	202	n.a.	400	11,651
1955	116	1,768	292	10,190	203	n.a.	408	11,958
1956	121	1,857	291	10,194	203	12	412	12,051
1957	144	2,195	292	10,297	201	13	436	12,492
1958	175	2,557	295	10,497	201	13	470	13,054
1959	188	2,807	294	10,599	201	15	482	13,406
1960	186	2,931	293	10,619	200	16	479	13,550
1961	192	3,056	287	10,607	199	16	479	13,663
1962	196	3,188	285	10,645	199	18	481	13,833
1963	211	3,394	287	10,723	200	20	498	14,117
1964	223	3,550	291	11,111	203	24	514	14,661
1965	253	3,941	290	11,492	206	28	543	15,433
1966	283	4,362	292	11,756	209	30	575	16,118
1967	317	4,677	292	11,989	207	35	609	16,666
1968	346	5,053	289	12,042	207	34	635	17,095
1969	358	5,308	289	12,118	208	36	647	17,426
1970	366	5,463	290	12,205	208	37	656	17,668
1971	373	5,777	291	12,248	208	38	664	18,025
1972	379	5,852	291	12,261	208	38	670	18,113
1973	398	6,147	290	12,257	207	38	688	18,404
1974 (Provisional)	401	6,293	288	12,196	206	n.a.	689	18,489

Note:—Figures in Col. 6 upto 1958 include tape looms. Waste spg. units with a total installed capacity of 0.07 million spindles are also included.

n.a.—not available.

tax, produce cesses etc. is as large as Rs 380 crores.

Expansion

India now has an installed capacity of about 18.50 million spindles and 206,000 looms in the organised sector, besides 175,000 power looms and about 3 million handlooms in the decentralised sector. The draft fifth Plan envisages an addition of 5.50 million spindles and 89,000 looms, taking the installed capacity up to 24 million spindles and 295,000 looms, so as to attain a production level in 1978-79 of 1,300 million kgs. of yarn and 10,400 million metres of cloth (5,600 million metres in the mill sector and 4,800 million metres in the decentralised sector). As part of the expansion envisaged in the fourth Plan, government had announced towards the close of 1972 that it would permit installation of additional spindleage to the tune of 2.5 million and 18,000 looms. Under this policy, government has so far issued licences/permits for 2.75 million spindles and 14,075 looms. The government is yet to decide its policy in regard to further expansion necessary to attain the proposed fifth Plan goals.

TABLE III
Cotton Textile Industry
(Statewise Installed Capacity as on January 1, 1974)

State/Zone	Number of Mills			Installed Spindles (in thousands)			Installed looms
	Spinning	Composite	Total	Spinning	Composite	Total	
Andhra Pradesh	30	3	33	450.28	90.49	540.77	1,246
Assam	2	—	2	24.80	—	24.80	—
Bihar	4	1	5	47.92	5.20	53.12	60
Gujarat	27	90	117	307.67	3,414.86	3,722.53	61,986
(a) Ahmedabad City	9	61	70	56.64	2,471.69	2,528.33	46,155
(b) Rest of Gujarat	18	29	47	251.03	943.17	1,194.20	15,831
Haryana	9	2	11	174.80	53.20	228.00	978
Jammu and Kashmir	1	—	1	12.60	—	12.60	—
Kerala	23	5	28	360.72	81.82	442.54	1,118
Madhya Pradesh	6	17	23	118.89	587.14	706.03	12,964
Tamil Nadu	188	24	212	3,049.81	1,266.41	4,316.22	9,105
(a) Coimbatore	98	17	115	1,451.87	724.97	2,176.84	3,924
(b) Rest of Tamil Nadu	90	7	97	1,597.94	541.44	2,139.38	5,181
Maharashtra	28	79	107	457.15	4,293.51	4,705.66	77,838
(a) Bombay City	4	54	58	53.25	3,455.98	3,509.23	62,813
(b) Rest of Maharashtra	24	25	49	403.90	837.53	1,241.43	15,025
Karnataka	19	11	30	345.32	362.30	707.62	5,882
Orissa	4	1	5	66.65	48.53	115.18	965
Punjab	6	2	8	112.70	59.12	171.82	1,301
Rajasthan	10	11	21	92.32	285.07	377.39	3,104
Uttar Pradesh	19	17	36	259.82	794.89	1,054.71	13,403
(a) Kanpur	4	10	14	2.56	521.11	523.67	11,272
(b) Rest of Uttar Pradesh	15	7	22	257.26	273.78	531.04	2,131
West Bengal	22	18	40	348.67	595.28	943.95	9,680
Delhi	—	4	4	—	168.25	168.25	3,454
Pondicherry	2	3	5	38.16	89.68	127.84	2,681
Goa	1	—	1	25.04	—	25.04	—
Total	401	288	689	6,293.32	12,195.75	18,489.07	205,765

TABLE IV
Total Production of Cloth

Calendar year	Mill Cloth (Million metres)	Percentage to total cloth production	Handloom and Powerloom cloth (Million metres)	Percentage to total cloth production	Total cloth production
1951	3,727	78.6	1,013	21.4	4,740
1956	4,852	74.5	1,663	25.5	6,515
1960	4,616	69.6	2,013	30.4	6,629
1961	4,701	66.4	2,372	33.6	7,073
1962	4,560	65.4	2,412	34.6	6,972
1963	4,423	60.6	2,876	39.4	7,299
1964	4,654	60.3	3,066	39.7	7,720
1965	4,587	60.0	3,056	40.0	7,643
1966	4,239	37.8	3,097	42.2	7,336
1967	4,097	56.3	3,179	43.7	7,276
1968	4,366	55.3	3,530	44.7	7,896
1969	4,168	54.1	3,538	45.9	7,706
1970	4,157	53.0	3,692	47.0	7,849
1971	3,957	53.8	3,399	46.2	7,356
1972	4,245	52.9	3,777	47.1	8,022
1973	4,169	54.1	3,602	45.9	7,771

TABLE V

Production of Cloth by Mills—Category-wise

(In million metres)

Calendar Year	Coarse (Average count below 17s)	Lower Medium (Average count 17s-25s)	Higher Medium (Average count 26s-34s)	Fine (Average count 35s-47s)	Superfine (Average count 48s and above)	Total
1951	332 (8.9)	1,903 (*)	— —	1,232 (33.0)	260 (7.0)	3,727 (100.0)
1956	657 (13.5)	3,472 (*)	— —	406 (8.4)	317 (6.5)	4,852 (100.0)
1961	790 (16.8)	1,528 (32.6)	1,986 (42.2)	179 (3.8)	218 (4.6)	4,701 (100.0)
1962	761 (16.7)	1,404 (30.8)	1,946 (42.7)	197 (4.3)	252 (5.5)	4,560 (100.0)
1963	810 (18.3)	1,321 (29.9)	1,808 (40.9)	204 (4.6)	280 (6.3)	4,423 (100.0)
1964	869 (18.7)	1,475 (31.7)	1,808 (38.8)	195 (4.2)	307 (6.6)	4,654 (100.0)
1965	803 (17.5)	1,404 (30.6)	1,840 (40.1)	219 (4.8)	321 (7.0)	4,587 (100.0)
1966	720 (17.0)	1,130 (26.7)	1,862 (43.9)	209 (4.9)	318 (7.5)	4,239 (100.0)
1967	683 (16.7)	1.144 (27.9)	1,768 (43.2)	170 (4.1)	332 (8.1)	4,097 (100.0)
1968	709 (16.2)	1,274 (29.2)	1,822 (41.7)	208 (4.8)	353 (8.1)	4,366 (100.0)
1969	608 (14.6)	1,214 (29.1)	1,845 (44.3)	177 (4.2)	324 (7.8)	4,168 (100.0)
1970	579 (13.9)	1,108 (26.6)	1,866 (44.9)	219 (5.3)	385 (9.3)	4,157 (100.0)
1971	503 (12.7)	1,038 (26.2)	1,753 (44.3)	247 (6.3)	416 (10.5)	3,957 (100.0)
1972	590 (13.9)	1,192 (28.1)	1,917 (25.4)	205 (4.8)	341 (8.0)	4,245 (100.0)
1973	605 (14.5)	1,279 (30.7)	1,559 (37.4)	368 (8.8)	358 (8.6)	4,169 (100.0)

N.B.—Figures in brackets are percentages to total.

*For the years 1951 and 1956 combined figures for *higher medium* and *lower medium* are shown under column for Lower Medium.

TABLE VI

Production of Fabrics of Cotton, Man-Made Fibres/Yarn and Blends

(Million metres)

Year	100% cotton cloth			100% Man-made yarn (spun/filament) Fabrics (viscose and non-viscose)			Mill made Blended/Mixed Fabrics						Blended/mixed fabrics by Decentralised sector	Total production of cloth
	Mills	Decentralised sector	Total	Mills	Decentralised sector	Total	Polyester cotton	Polyester viscose	Polyester others Fibres except cotton and viscose	Cotton/Viscose	Cotton/other Fibres except polyester and viscose	Total		
1969	4,168	3,538	7,700	2	892	894	38	3	1	18*	4	64*	42	8,706*
1970	4,157	3,692	7,849	1	932	933	58	5	1	17*	6	87*	62	8,931*
1971	3,957	3,399	3,356	2	971	973	49	5	Neg.	87	7	148	100	8,577
1972	4,245	3,777	8,022	1	918	919	60	7	1	21	9	98	101	9,140
1973	4,169	3,602	7,771	1	886	887	73	6	1	32	17	129	121	8,908

Note: Excluding cotton/viscose blend, figures of which for 1969 and 1970 are not available.

TABLE VII

Per Capita Availability of Cloth

Period	Estimated mid-year population (In millions)	Availability for home consumption (Million metres)			Per capita availability		
		Cotton cloth	Blended/ Mixed fabrics @	Man-made fibre fabrics	Cotton cloth (Metres)	Blended/ Mixed Fabrics@ (Metres)	†Man-made fibre fabrics (Metres)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951	363.30	3,992	—	—	10.99	—	—
1952	369.45	3,972	—	—	13.46	—	—
1953	375.94	5,273	—	—	14.03	—	—
1954	382.78	5,293	—	—	13.83	—	—
1955	390.00	5,595	—	n.a.	14.35	—	—
1956	397.62	5,847	—	n.a.	14.71	—	—
1957	405.67	5,882	—	n.a.	14.50	—	—
1958	414.16	5,913	—	382	14.28	—	0.92
1959	423.12	5,806	—	485	13.72	—	1.15
1960	432.56	5,971	—	520	13.80	—	1.20
1961	442.21	6,527	—	509	14.76	—	1.15
1962	451.73	6,482	—	527	14.35	—	1.17
1963	461.54	6,780	—	574	14.69	—	1.24
1964	471.63	7,179	—	767	15.22	—	1.63
1965	482.02	7,097	n.a.	833	14.72	n.a.	1.73
1966	492.68	6,874	n.a.	812	13.95	n.a.	1.65
1967	503.63	6,832	n.a.	879	13.57	n.a.	1.74
1968	514.87	7,400	n.a.	976	14.37	n.a.	1.90
1969	526.43	7,166	106	943	13.61	0.20	1.79
1970	538.31	7,300	149	921	13.56	0.28	1.71
1971	550.24	6,825	248	948	12.40	0 45	1.72
1972	561.87	7,406	199	895	13.18	0.36	1.59
1973 (Provisional)	573.75	6,941	n.a.	n.a.	12.10	n.a.	n.a.

(1) Figures in columns (3), (4) and (5) represent total cloth produced in the mill and the decentralized sectors *plus* actual imports *minus* actual exports of cloth

(2) Man-made fibre fabrics comprise Art Silk/Synthetic fabrics and Staple Fibre fabrics.

* Figures of mid-year population and *per capita* availability for 1961 onwards are revised.

† Figures for Man-made Fibre fabrics available and included from 1958.

@ Figures for Blended/Mixed fabrics were not separately available and were included in cotton fabrics for years prior to 1969. n.a.= not available.

TABLE VIII

Foreign Exchange Earnings through Exports of Cotton Textiles

(Rupees crores)

Item	1964	1965	1966*	1967	1968	1969	1970	1971	1972	1973
Mill-made cotton cloth	48.86	47.26	49.14	59.37	66.77	63.09	65.66	66.60	81.09	137.58
Cotton yarn	5.88	6.02	8.69	7.48	10.69	23.74	26.88	12.88	22.74	13.07
Apparel	2.17	3.28	2.55	2.46	3.03	4.37	7.74	11.77	24.82	47.64
Hosiery	0.12	0.29	0.17	0.14	0.22	0.25	0.26	0.38	0.88	1.75
Other cotton manufacturers including made-up items	5.84	6.88	10.06	12.76	14.61	13.74	15.96	17.73	20.56	26.32
Handloom cloth	7.78	9.53	6.73	6.84	4.59	7.15	7.42	9.18	14.77	26.47
Handloom cotton manufactures	1.84	3.04	1.67	1.85	3.58	4.16	4.98	6.45	6.88	7.88
Powerloom cloth	0.28	0.16	0.08	0.25	0.30	0.42	0.61	0.78	0.97	3.72
Total foreign exchange earnings	72.77	76.46	79.09	91.15	103.79	116.92	129.51	125.77	172.71	264.43

Note : *Figures from June 1966 onwards are in terms of devalued rupee and hence not comparable with figures for pre-devaluation period.

TABLE IX

Exports of Cotton Yarn and Cloth

Year	Yarn		Mill-made Cloth		Handloom and Powerloom Cloth	
	Quantity (Million Kgs.)	Average unit value realised (Rs./Kg.)	Quantity (Million Metres)	Average unit value realised (Rs./Metre)	Quantity (Million Metres)	Average unit realised (Rs./Metre)
1961	7.14	5.45	525.14	0.88	25.92	1.85
1962	10.42	5.08	464.85	0.86	25.96	2.23
1963	13.55	4.57	485.69	0.84	33.87	2.30
1964	12.37	4.75	502.87	0.97	35.06	2.30
1965	12.75	4.72	506.85*	0.93	40.72	2.38
1966	16.20	5.36	424.33	1.16	37.47	1.82
1967	11.02	6.79	409.56	1.45	33.43	2.12
1968	16.54	6.46	475.10	1.41	21.41	2.56
1969	33.07	7.18	418.50	1.51	29.52	2.75
1970	30.45	8.83	413.42	1.59	32.73	2.66
1971	12.40	10.39	389.42	1.71	43.23	3.08
1972	22.23	10.23	430.56	1.88	52.25	3.08
1973	11.93	10.96	630.98	2.18	78.63	3.84

* Since April 1965, figures are in square metres.

TABLE X

Exports of Piecegoods—Continent-wise and Major Market-wise

(In million square metres)

	1966	1967	1968	1969	1970	1971	1972	1973
ASIA	109.88	104.07	117.64	100.63	92.92	64.98	83.44	180.40
of which:								
Malaysia-Singapore	10.67	10.28	9.24	7.99	6.71	4.77	5.13	30.09
Nepal	38.24	36.14	49.83	55.85	40.54	35.72	46.10	37.51
Bangla Desh	—	—	—	—	—	—	8.60	13.35
AFRICA	54.44	56.89	67.52	31.95	77.17	95.27	29.51	23.13
of which:								
Sudan	21.47	36.33	48.12	22.49	58.46	88.86	24.16	11.94
EUROPE	163.13	167.18	199.89	197.92	156.84	141.88	233.89	302.96
of which:								
UK	110 59	148 17	157.48	113.12	61.36	104.02	86.09	174.26
EEC*	14.68	1.99	15.47	40.15	27.43	10.98	25.96	35.06
East Europe including USSR	30.62	11.58	21.87	39.67	61.74	22.70	107.87	88.16
USSR alone	24.75	5.38	16.10	33.09	51.36	20.40	103.78	84.75
AMERICA	72.93	56.67	67.83	69.59	64.58	64.75	78.03	95.42
of which:								
USA	52.53	41.32	54.91	59.32	56.24	57.81	68.85	57.52
OCEANIA	23.95	24.75	22.22	18.41	21.91	22.36	15.69	29.07
of which:								
Australia	14.55	15.63	16.01	12.38	15.89	14.09	11.48	20.59
Grand Total	424.33	409.56	475.10	418.50	413.42	389.24	430.56	630.98

* Excluding U.K. Neg.=Negligible.

Source : "Handbook of Statistics on Cotton Textile Industry", ICMF

Wholesale prices

THE OFFICAL wholesale prices index (with the year ended March, 1962 as 100) moved up by 0.8 per cent to 323.2 during the week ended August 17, 1974, as against 320.6 for the previous week. The all commodities index at this level was higher by 2.3 and 28.6 per cent respectively when compared to the corresponding week of the last month and that of a year ago.

Food Articles

Higher prices of fish (+9 per cent,), mustard oil (+5 per cent), betelnuts (+4 per cent), bajra, gram, arhar, masoor and eggs (+3 per cent), maize, barley, groundnut oil and khandsari (+2 per cent), rice, jowar, ragi, moong and sugar (+1 per cent) raised the index for "Food Articles" by 1.0 per cent to 377.4 as against 373.8 for the earlier week. However, the prices of turmeric (—10 per cent), tea (—3 per cent), onions, urad, gur, pepper black and coffee (—1 per cent) declined.

Liquor & Tobacco

The index for "Liquor & Tobacco" group advanced by 0.7 per cent to 298.6 due to an increase in the prices of raw tobacco (+3 per cent).

Fuel, Power, Light & Lubricants

The index for the "Fuel, Power, Light & Lubricants" group stood stationary at its last week's level of 312.7. The prices of castor oil (+1 per cent) advanced.

Industrial Raw Materials

Enhanced prices of coir fibre and castorseed (+7 per cent), cotton seed (+4 per cent), groundnuts, linseed, copra and tanning materials (+3 per cent), jute raw and mesta and rapeseed (+1 per cent) pushed up the index for "Industrial Raw Materials" by 1.7 per cent to 354.3 as against 348.3 for the previous week.

Chemicals

"Chemicals" group remained unchanged at its previous week's level of 287.5.

The index for the "Machinery & Transport Equipment" group went up slightly from 245.9 (revised) in the earlier week to 246.0 due to an increase in the prices of cycles (+1 per cent).

Manufactures

"Manufactures" group comprising of (a) Intermediate Products and (b) Finished Products moved up by 0.4 per cent to 260.1 as against 359.1 (revised for the previous week).

Intermediate Products

(a) Lower prices of brass sheets and lead (—5 per cent), copper sheets and tin (—1 per cent) brought down the index for "Intermediate Products" by 0.4 per cent to 338.9 as against 340.3 for the last week. The prices of linseed oil (+2 per cent), however, advanced.

(b) Higher prices of jute manufactures (+4 per cent) and oilcakes (+2 per cent) raised the index for "Finished Products" by 0.6 per cent to 241.0 as against 239.5 for the earlier week. However, the prices of essential oils (—1 per cent) declined.

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Base 1961-62=100

Groups & Sub-Groups	Week Ended			
	April 17, '74	Aug. 10, '74	July 20, '74	Aug. 18, '73
Food Articles	377.4	373.8	367.8	298.9
Foodgrains	410.3	405.9	392.2	292.7
Cereals	389.2	386.4	372.2	268.7
Pulses	505.6	493.8	482.0	397.3
Fruits & vegetables	355.0	355.5	373.8	280.8
Milk & milk products	342.7	342.7	339.5	299.0
Edible oils	425.6	416.8	413.0	361.1
Fish, eggs & meat	575.1	545.8	543.4	399.8
Sugar & allied products	302.7	303.4	294.6	298.3
Others	283.2	287.3	290.2	205.8
Liquor & Tobacco	298.6	296.5	305.1	247.2
Liquor	215.2	215.2	215.2	176.0
Tobacco	302.5	300.3	309.2	250.5
Fuel, Power, Light & Lubricants	312.7	312.7	312.7	190.3
Coal	263.2	263.2	263.2	190.4
Coke	357.3	357.3	357.3	268.4
Mineral oil	383.2	383.2	383.2	188.5
Rectified spirit	323.1	323.1	323.1	296.8
Electricity	186.5	186.5	186.5	161.3
Castor oil	388.5	384.7	386.2	416.6
Industrial Raw Materials	354.3	348.3	342.5	307.3
Fibres	294.5	293.2	286.8	220.0E
Oilseeds	445.2	432.3	423.9	397.3
Minerals	158.1	158.1	158.1	157.0
Others	287.0E	287.0E	287.0E	282.7E
Chemicals	287.5	287.5	286.8	214.5
Machinery & Transport Equipment	246.0	245.9	241.6	178.0
Electrical machinery	233.1E	233.1E	233.2E	179.2E
Non-electrical machinery	276.8	276.8	268.5	192.3
Transport equipment	202.0	201.7	200.6	151.1
Manufactures	260.1	259.1	253.8	195.1
Intermediate Products	338.9	340.3	334.4	245.1
Textile yarn	290.8	290.9	283.6	211.0
Leather	220.0E	220.0E	228.0E	224.7E
Metals	401.7	405.8	400.3	275.9
Linseed oil	463.6	453.7	430.0	340.7
Finished Products	241.0	239.5	234.3	183.0
Textiles	239.6	237.1	232.4	180.2
Metal products	272.8	272.8	268.0	212.0
Non-metallic products	246.8	247.0	225.9	181.1
Chemical products	236.7	236.8	234.9	166.0
Leather products (shoes)	125.4	125.4	125.4	107.3
Rubber products	220.8	220.8	217.3	161.3
Paper products	217.4	217.4	213.4	143.3
Oilcakes	354.0	348.7	340.1	356.5E
Misc. products	170.4	170.4	168.8	129.9
All Commodities	323.2	320.6	315.8	251.3

E—Estimated

Source : Office of the Economic Adviser to the Government of India, Ministry of Industrial Development.

Index Numbers of Industrial Production

(Base : 1960=100

Group	Weight	1971-72	1972-73	1973-74	Percentage change in 1972-73 over 1971-72	1973-74 over 1972-73
General Index (Crude)	100.00	189.8	199.9	200.8	+5.3	+0.5
Electricity generated	5.37	369.3	387.0	393.1	+4.8	+1.6
Minings & quarrying	9.72	157.3	165.2	167.1	+5.0	+1.2
Manufacturing	84.91	182.3	192.0	192.4	+5.3	+0.2
Food manufacturing	12.09	156.3	162.5	153.0	+4.0	—5.8
Beverages & tobacco	2.22	186.6	167.3	188.6	—10.3	+12.7
Textile manufacturing	27.06	108.3	114.0	111.0	+5.3	—2.6
Cotton textiles	21.18	106.8	112.2	113.4	+5.1	+1.1
Jute textiles	3.97	98.2	93.8	82.9	—4.5	—11.6
Footwear manufacture	0.21	169.6	149.6	151.4	—11.8	+1.2
Wood & cork manufacture	0.80	225.0	198.7	172.9	—11.7	—13.0
Paper & paper products	1.61	233.8	220.0	241.5	—5.9	+9.8
Leather & fur products	0.43	54.1	62.2	81.4	+15.0	+30.9
Rubber products	2.22	251.6	247.7	261.3	—1.6	+5.5
Manufacture of chemicals	7.26	264.4	296.5	296.3	+12.1	—0.1
Petroleum refinery products	1.34	324.4	310.8	340.4	—4.2	+9.5
Non-metallic minerals	3.85	211.2	226.5	229.7	+7.2	+1.4
Basic metal industries	7.38	214.5	227.0	207.8	+5.8	—8.5
Manufacture of metal products	2.51	232.8	256.2	236.5	+10.1	—7.7
Manufacture of non-electrical machinery	3.38	377.7	418.1	459.8	+10.7	+10.0
Electrical machinery	3.05	416.2	430.6	440.9	+3.5	+2.4
Transport equipment	7.77	123.4	137.7	148.3	+11.6	+7.7
Miscellaneous industries	1.23	104.4	78.7	88.2	—24.6	+12.5

Index Numbers of Security Prices (All-India)

(1970-71=100)

	1973	1974				
	Sept. 8	Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7
Government and Semi-government Securities	98.9	97.6	97.6	97.5	97.3	97.2
Government of India	98.4	96.9	96.9	96.7	96.4	96.3
State governments	99.9	99.5	99.6	99.6	99.5	99.5
Semi-government institutions	100.8	100.7	100.7	100.7	100.7	100.7
Debentures	97.6	96.9	96.9	96.9	96.9	96.9
Preference Shares	93.8	92.8	92.7	92.4	92.3	92.3
Ordinary Shares	114.0	124.7	122.1	116.6	114.0	108.9
Tea plantations	90.9	120.0	118.3	115.4	114.8	112.8
Cotton textiles	125.2	152.5	149.1	141.5	138.5	133.
Jute textiles	131.2	162.0	160.3	157.0	156.0	155.
Silk, woollen and rayon textiles	133.3	143.4	139.0	132.4	128.9	125.
Iron & steel	54.1	55.7	53.3	49.8	50.2	48.
Aluminium	79.8	70.7	68.7	65.3	63.4	60.
Transport equipment	91.7	95.2	93.8	83.5	81.6	78.
Electrical machinery, apparatus, appliances, etc.	122.1	128.5	126.9	124.5	121.2	113.
Chemical fertilisers	164.3	178.2	166.3	155.7	152.9	147.
Other basic industrial chemicals	121.1	120.7	119.1	114.3	112.0	105.
Cement	98.0	105.1	104.2	99.5	92.3	85.
Paper and paper products	125.5	178.0	178.0	171.1	171.2	160.
Rubber and rubber products	108.0	120.1	120.2	111.5	106.3	101.
Electricity generation and supply	79.9	84.7	84.5	83.4	81.0	76.
Shipping	146.7	164.9	160.9	154.3	144.5	140.

Source : Reserve Bank of India.

Reserve Bank of India

(Rs lakhs)

	Sept. 6, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	30,58	35,27	25,19	23,42
Notes in circulation	6,050,84	5,997,92	6.208.10	5,461,77
Total notes issued	6,081,43	6,033,19	6.233,29	5,485,19
Gold coin and bullion	182,53	182,53	182.53	182,53
Foreign securities	146,74	146.74	166,74	177,37
Rupee coin	15,92	17,27	12,24	10,57
Government of India rupee securities	5,736,24	5,686.65	5,871,78	5,114,72
Banking Department				
Deposits of central government	54,97	61,75	56,43	57,74
Deposits of state governments	20,31	26,02	19,22	36,57
Deposits of banks	620.37	586,12	647,21	568,54
Other deposits	355,85	361,98	503,74	71,03
Other liabilities	1,436,54	1,440.03	1,376,62	1,124,65
Total liabilities or assets	2,488.04	2,475,90	2,603,21	1,858,53
Notes and coins	30,66	35,39	25,28	23,50
Balances held abroad	508,62	499,18	512,70	267,21
Loans and Advances to :				
State governments	123,92	156,28	173,87	94,38
Scheduled com. banks	84,04	105,30	179,38	6,39
State co-op. banks	283,29	279,28	254,22	252,12
Other loans and advances	275,05	275,85	271,36	165,52
Bills Purchased and Discounted				
Internal	183,20	190,87	222,53	1,76
Government treasury bills	522,77	503,29	357,00	658,37
Investments	379,77	332,53	505,56	343,04
Other assets	96,74	97,92	101,31	46,23

Scheduled Commercial Banks

(Rs lakhs)

	Sept. 6, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,681,66	4,684,55	4,698,02	4,033,37
2. Time deposits	6,354,43	6,330.89	6,245,32	5,505,82
3. Aggregate deposits	11,036,09	11,015,44	10,943,34	9,539,19
4. Borrowings from Reserve Bank	84,04	105,30	179,38	6,39
5. Cash	263,44	261,86	256,66	229,42
6. Balances with Reserve Bank	603,08	567,13	626,48	552,38
7. Cash and balances with Reserve Bank	866,52	828,99	883,14	781,80
8. Investment in govt. securities	2,634,52	2,586,04	2,591,07	2,360,38
9. Advances	6,236,69	6,232,31	6,302,26	5,062,67
10. Inland bills purchased and discounted	1,079,11	1,085,51	1,130,75	882,04
11. Foreign bills purchased and discounted	373,98	370,46	368,42	278,87
12. Total bank credit	7,689,78	7,688,28	7,801,43	6,223,59
Percentage of :				
(7) to (3)	7.85	7.53	8.07	8.20
(8) to (3)	23.87	23.48	23.68	24.74
(12) to (3)	69.68	69.80	71.29	65.24

Source : Reserve Bank of India

Money Supply with the Public

(Rs crores)

	1973	1974				
	August 31	August 2	August 9	August 16	August 23	August 30
A. **Money Supply with the Public**	9,777	11,249	11,276	11,262	11,102	11,064
Currency with the Public	5,562	6,359	6,415	6,401	6,270	6,198
Other Deposits with the Reserve Bank	37	48	40	42	38	42
Bank Money	4.178	4,842	4,821	4.819	4,794	4,824
B. **Factors Affecting Money Supply** (1+2+3+4+5)						
1. Net Bank Credit to Government Sector (a+b)	8,525	9.329	9.420	9.266	9.234	9.183
(*a*) Reserve Bank's net Credit to Govt. Sector	6,042	6,653	6,737	6.586	6,569	6.501
(*b*) Other Banks' Credit to Govt. Sector	2,483	2,676	2,683	2.680	2,665	2,682
2. Bank Credit to Commercial Sector (a+b)	7,768	9,708	9,717	9.727	9,643	9.593
(*a*) Reserve Bank's Credit to Com. Sector	268	609	601	591	584	574
(*b*) Other Banks Credit to Com. Sector	7,500	9,099	9,116	9.136	9,059	9,019
3. Net Foreign Exchange Assets of Banking Sector	635	587	594	583	576	561
4. Government's Net Currency Liabilities to the Public	480	508	509	508	505	509
5. Non-Monetary Liabilities of Banking Sector (a+b+c)	7,631	8.883	8,964	8.822	8.856	8,782
(*a*) Time Deposits with Banks	5,757	6,571	6.587	6.644	6,669	6,682
(*b*) Net Non-Monetary Liabilities of RBI	1,193	1.503	1,497	1,376	1,393	1,418
(*c*) Residual	681	809	880	802	794	682
C. **Aggregate Monetary Resources** ((A+B 5(a))	15,534	17.820	17.863	17,906	17,771	17,746

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973		1974			
									May	Dec.	Jan.	Feb.	Mar.	April
	(Base : 1949=100)													
All-India	169	213	212	215	226	233	251	304	277	316	321	325	334	344
	(Base : 1960=100)													
All-India	—	—	174	177	186	192	207	250	228	259	264	267	275	283
Ahmedabad	130	168	165	169	176	181	198	245	224	262	264	260	264	274
Alwaye	145	183	198	197	198	202	215	267	239	246	265	273	288	298
Asansol	140	168	176	187	189	194	206	245	222	234	258	263	274	286
Bangalore	144	172	180	183	186	194	212	265	243	274	280	284	286	286
Bhavnagar	132	173	176	178	186	194	217	273	258	289	293	289	285	297
Bombay	130	162	167	175	182	190	203	233	225	238	241	243	249	259
Calcutta	131	163	170	172	182	187	197	228	211	238	240	241	255	264
Coimbatore	132	151	147	152	163	177	189	218	201	226	232	236	246	258
Delhi	136	172	178	185	199	211	222	265	241	271	278	280	296	309
Digboi	138	198	185	180	189	188	198	234	216	252	249	255	256	260
Gwalior	139	191	179	184	191	197	214	271	244	280	290	299	312	316
Howrah	137	178	181	176	186	191	206	239	218	252	256	255	270	274
Hyderabad	140	167	173	185	189	195	211	251	239	257	257	263	271	273
Jamshedpur	136	183	171	190	183	187	202	249	224	259	268	275	278	293
Madras	134	151	150	160	170	182	203	229	217	233	238	241	248	261
Madurai	128	146	148	162	183	193	206	236	218	248	254	251	257	266
Monghyr	151	215	185	188	203	204	225	292	255	308	324	343	347	344
Mundkayam	138	173	186	191	197	199	210	263	237	265	271	272	286	291
Nagpur	138	164	166	176	187	192	203	256	217	278	275	275	277	277
Saharanpur	141	188	176	181	186	196	213	253	228	264	276	280	290	294
Sholapur	128	165	167	176	185	198	216	277	259	298	293	282	279	288

Source : Labour Bureau Govt.

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 196

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973			197	
									Mar.	Nov.	Dec.	Jan.	Feb.
All-India	132	159	161	167	174	180	192	221	199	226	228	231	23
Bombay	132	153	156	162	168	172	183	204	191	205	206	206	210
Delhi-New Delhi	131	154	162	178	174	180	190	217	193	223	226	229	230
Calcutta	126	152	156	162	170	174	180	204	181	211	213	214	213
Madras	133	154	154	161	175	188	204	231	213	235	238	240	245
Hyderabad-Secunderabad	133	155	159	167	174	180	195	223	206	228	229	229	230
Bangalore	133	156	160	162	172	180	194	228	204	235	235	237	242
Lucknow	132	159	156	161	166	174	185	215	193	221	220	226	229
Ahmedabad	131	160	162	168	171	173	188	222	203	225	228	231	229
Jaipur	133	162	168	176	183	188	205	244	214	253	255	256	260
Patna	139	170	174	191	190	199	199	229	203	230	238	248	249
Srinagar	134	160	157	174	184	191	200	215	203	219	222	223	225
Trivandrum	131	165	168	172	178	184	198	231	206	241	243	245	244
Cuttack-Bhubaneswar	142	164	167	169	176	184	196	221	198	231	232	232	232
Bhopal	133	166	166	172	180	188	204	238	210	244	243	248	254
Chandigarh	129	155	165	171	178	183	194	217	198	221	222	224	229
Shillong	123	155	163	164	166	175	183	208	186	214	281	220	219

Source

The Iranian connection

As about the only king who rules as well as reigns, the Shah of Iran does not exactly need exalted ceremonial titles to emphasize his uniqueness in the community of Heads of State. If even then the press in this country was lavish with imperial appellations while reporting on his visit to and brief sojourn in New Delhi last week, it was perhaps because of our people's genuine respect and admiration for the sincerity and ability with which the Shah has been building up modern Iran and promoting its economy and the welfare of its people. He has also acquired a great deal of prestige lately because of the clarity of vision and singleness of purpose he has shown in dealing with the oil question in terms of what he considers to be the legitimate interests of petroleum exporting countries generally and Iran in particular.

Again, as a champion also of the larger cause of countries dependent on the production and export of primary commodities or industrial raw materials, the Shah of Iran has acquired for himself considerable authenticity as one of the major spokesmen of what has come to be known as the third world. Moreover, from a specific Indian point of view, the Shah has come to adopt an increasingly mature view of the political compulsions which have made it the common interest of the littoral states of the Indian Ocean area to cultivate a healthy regional outlook and cooperate in promoting political understanding and cultural and economic cooperation among themselves. Within this general framework of reference the Shah has been taking the initiative, as well as responding to overtures from New Delhi, for maintaining continuous consultations on problems of mutual interest. This process was greatly stabilized and strengthened when our prime minister visited Iran earlier this year and the talks which the Shah of Iran has just had with her in the Indian capital have, as the joint communique issued in New Delhi indicates, further defined and delineated the common ground that exists between Iran and India on several issues, some of which are of international significance.

The communique suggests that the latest round of consultations between the Shah of Iran and the prime minister of India had to do mainly with the political aspects of Indo-Iranian understanding and co-operation in the context of peace and orderly progress in the Indian Ocean region. It is probably true that the Shah's policies here are more realistic than the government of India's. While New Delhi has been lately declaiming against the extension of great-power rivalry or big-power politics in the Indian Ocean zone, the Shah has been more prompt in realizing that the littoral states of this region could hope to have an effective say only if they could speak to Washington or Moscow from positions of some strength.

Iran itself has been using its resources, even before the higher oil prices spectacularly augmented them, in building up its military and industrial muscles. In the process Iran may have given cause for concern to some of its neighbouring countries including India, but, happily, there has been enough statesmanship in Teheran and New Delhi to rescue in time Indo-Iranian relations from becoming a casualty of mutual fear or distrust. Here again, the New Delhi joint communique gives welcome evidence that the two countries are steadily improving their respective ability to work for trust and possible co-operation in many fields. The Shah, in particular, has been extremely helpful in his appreciation of the *bona fides* of the Indian commitment to the development of nuclear technology for peaceful purposes and he has also inspired much goodwill for his country among our people by a simple declaration at a press conference he held in the Indian capital that Iran would never assist Pakistan "if it starts an aggressive war on India," a statement which becomes all the more reassuring since he has also said that "I am convinced that India will not launch any attack on Pakistan."

The New Delhi communique did not have much to say that was new about Indo-

eastern
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Iranian programmes of economic cooperation, but this was quite natural since this area had been sufficiently and repeatedly gone over during earlier Indo-Iranian discussions at various levels. As a result, a fairly detailed programme of industrial collaboration and trade expansion has already been spelt out and what remains is the prompt and efficient implementation of individual schemes and projects through an active Indo-Iranian machinery for detailed negotiations and implementation. Here the Shah has greatly facilitated progress, first by his obvious intention that India should be a full beneficiary of the multilateral and bilateral development assistance programmes which Iran has undertaken to finance with some of its oil revenues and, secondly, by stating that he expected India's exports to Iran to progress substantially and even spectacularly in the coming years.

Thanks to the way in which Indo-Iranian trade and economic co-operation is evolving, much of this activity would inevitably be at an inter-governmental level. It has also to be noted that, although Iranian government policy has little to do with the dogmas of socialism, Iranian economic development itself is taking place along the lines of state capitalism in the sense that the Iranian government generally and the Shah particularly are both the primary and the ultimate architects and engineers of Iranian industrialization. Nevertheless, there is still scope for the private sector in India to contribute powerfully to the growth of trade and industrial collaboration between the two countries, and in Iran itself a large number of new entrepreneurs are being enabled to exploit the economic potential of that country especially in the area of diversification of industries.

It is therefore to be hoped that, along with the vigorous pursuit of inter-governmental projects, an attempt will also be made by the government of India to inspire and assist the private sector in our country to take full advantage of its opportunities in Indo-Iranian trade and industrial co-operation. The warm welcome the prime minister received when she visited Teheran and the enthusiasm and goodwill with which the people in the Indian capital greeted the Shah of Iran and his consort last week have together provided an appropriate human and psychological basis for the fast and steady blossoming of Indo-Iranian friendship. This, undoubtedly, is a precious thought in a world where countries and governments usually find more occasions to debate or differ than to consult or concur.

Playing it down is not proper

To PLAY it cool would be proper, but to play it down could be downright disastrous. It is a pity that the prime minister, the minister for External Affairs and some of Mrs Gandhi's henchmen seem to have entered into a conspiracy to play down the food crisis. Even a feudal lord, the erstwhile Emperor of Ethiopia, has just had to lose his crown, his throne and his palace because, for reasons of prestige, he chose to let his people die of hunger rather than let the world know that starvation was stalking the land. Mrs Gandhi maintains that the food shortage in the country is being exaggerated by interested foreign observers and journalists, and her colleague, Mr Swaran Singh, has dutifully castigated the US press for playing up the famine conditions in some parts of our country. In Haryana Mr Bansilal has virtually threatened with police lathis and guns those who might agitate over the shortages or other ills such as political graft and corruption which are plaguing that state. It seems to us that, in certain circumstances, demagogues in a democracy could get away with a lot more than even dynastic despots bossing it over autocratic regimes.

It is important to know straight from the prime minister herself how many people should die of hunger before the government of India would grant that the scarcity of food grains and their prices have become a sufficiently serious threat to the existence, not to speak of the welfare, of large masses of people in various parts of the country. As it is, in parts of West Bengal, particularly Cooch Behar, hunger has started directly killing off destitutes of both sexes and of all ages. In Orissa, Assam, Gujarat and Rajasthan, starvation has become public enemy number one. In Gujarat and Rajasthan again, cattle are dying like fleas because, while pastures have dried up, there is little water to drink for man or beast. At this rate *gobar* could become as scarce and dear a fuel as oil. Meanwhile, farming communities, desperately clinging to a hand-to-mouth existence, must also worry about the destruction that is taking place in its capital of livestock.

It is no doubt true that the *kharif* harvest is only weeks away but, then, the monsoon has once again played truant and crop prospects, therefore, cannot inspire much confidence. If the government has a strategy for feeding the people over the lean period and until the next *rabi* harvest, it must be one of the best kept secrets in the capital. The prime minister and the minister for External Affairs are blaming the foreign press for giving the wrong publicity to the food situation in our country but the government of India's own vast organs of information or mass communication have been strangely inert. As a matter of fact, there has been no official statement that relief operations have been organized or are being carried out on a material scale in the stricken areas.

The food trade has claimed that there are still relatively large quantities of wheat with the farmers in the northern region to be drawn into the channels of marketing and distribution. The public, however, has yet to have a word from the Food ministry of what it proposes to do about this. Unfortunately, there is a lot of confusion in the country about food grain prices and their relation to inflation. It is being far too readily assumed that an increase in grain prices is an active agent in the aggravation of inflation. It would probably be nearer reality to suppose that the higher food prices, as so much else that disturbs the public mind and even the public peace, are the consequences of inflation.

Despite all the talk we hear of hoarding by the *kulaks* or profiteering by middle men, the basic fact remains that both the production and marketing of food grains are extensively decentralized and that there can therefore be no question of prices being fixed by monopolistic practices by farmers or merchants. While it cannot and need not be denied that scarcity can and is being exploited to some extent, what is material is that thousands of individual farmers are holding out for higher prices for the simple reason that they seek an economic return for their produce in terms of what inputs cost them as well as of the prices they have to pay for the consumer or other goods they in their turn are in need of.

Even a totalitarian system has no means of compelling farmers over a period to grow and market their produce at prices which the farming community happens to regard as unfair. This is not because farmers have the cartellized power of big corporations or trade unions but because they individually can and do decide how much to grow or how much to release to the market from their own consumption in the context of the prices available for what they have to sell. It would therefore be highly academic to discuss the regulation of food prices or the control of food distribution merely in terms of an abstract concept of anti-inflationary strategy or the particular convenience of urban consumers naturally interested in lower food prices, industrial or commercial employers anxious to avoid having to pay more wages, trade unions concerned with preserving or promoting the real earnings of workers or the government worried over financing increases in food subsidies.

Both the government and the public are only too well aware of the fact that, while on the one hand it is costing more to grow crops, on the other rising food prices have not necessarily meant improvement in the terms of trade for the farming sector. It is therefore the clear responsibility of the central and state governments to adopt a realistic approach towards foodgrain prices so that farmers are persuaded to sell what remains with them of this year's *rabi* crop as well as be in a mood to market readily and smoothly the produce of the forthcoming *kharif* harvest, while preparing to invest more and labour more with the intention of turning out a good *rabi* crop next year. Inflation cannot be contained by an attempt to make farmers and farming the first casualty of an anti-inflationary programme. From this point of view, the government's decision dogmatically fixing the farmer's price of the kharif rice crop at Rs 74 per quintal of paddy is quite unrealistic and guaranteed to prejudice vital procurement and distribution operations in the difficult months ahead.

While higher grain prices with their corollary of freer marketing could improve supplies for those sections of consumers who are in a position to pay without undue difficulty prices somewhere between those current at fair price shops and prices prevailing in the open market for grain when available, they will certainly not bring food within the reach of the impoverished people in the famine or drought-affected areas. Here there is absolutely no substitute for public relief operations and it is a sad commentary on the state of government morals and public wisdom in this country that all attention should be diverted towards the arrest of smugglers and away from the plight of starving men, women and children in eastern or western India. No wonder the minister for External Affairs has the audacity, even while on American soil, to demand that the press in that country should not embarrass the government of India by reporting on our food shortage or its victims.

While New Delhi may be concerned with saving its face, there is no reason why all of India should be taken up only with saving New Delhi's face. On the contrary, since immediate supply of food grains from external sources may be important for saving human lives in our country, our people cannot but be grateful to the foreign press for imforming the world at large of the size and urgency of our food needs. The government of India, having given hostages to fortune by its shallow and premature talk of food self-sufficiency, may be unwilling to present the position truthfully to international attention. This, however, is all the more the reason why our people should be thankful to the foreign press for telling it as it is. After all, in spite of its pretensions and protestations, the government of India has just accepted an offer of one million tonnes of wheat from the European Economic Community on concessional terms. It will deceive nobody if New Delhi were to try to make it appear that this offer had been made without indications being given at Brussels that it would be most welcome. Right now, although the US President, Mr Gerald Ford, has clearly indicated his adminis-

Eastern Economist 30 Years Ago

OCT. 13, 1944

An international cartel, unlike a trust, does not constitute a great unified legal entity, holding property of its own. It is, in essence, merely an industrial alliance between a number of separate units in two or more countries, or between two or more cartels, or between some independent producers and one or more cartels. It is, however, true that the devices of the holding company, interchange of shares, etc., have often been employed by international cartel-builders in devising vast and intricate networks of interlacing interests, both financial and industrial. Cartels may be of two kinds. Firstly, there are international agreements regarding standardization of products, exchange of patent rights and information, or the conditions of trading, known as "cartels of conditions". But "cartels of conditions" have a way of developing into the second and more general form of cartels aiming at a variety of objects, such as preservation of an undisputed internal or "home" market for each national group; division and delimitation of export markets or "sales territories"; suppression of price-cutting; "regulation" of prices; exchange of patents and technical knowledge; standardization and reduction of redundant varieties; concentration of production; elimination of inefficient plants; concerted regulation and restriction of output; and joint purchase of raw materials.

tration's willingness to extend food aid to needy countries, Mr Swaran Singh and our ambassador in Washington, Mr T. N. Kaul, seem content to play the game of a woman wanting to be seduced but not willing to solicit. If this is to be the new fashion in our diplomacy, this journal would settle any time for a return to that familiar, earlier practice according to which diplomats are supposed to lie for the good of their countries and not simply for the good of their governments.

Rare occasion in tea

At a time when a great deal of pessimism pervades the Indian economy, it is refreshing to find a major industry taking a hopeful view of its prospects. In their tea market annual report for the 1973-74 season, just released, J. Thomas & Co. Pvt Ltd have said that this is "one of the rare occasions on which this review can take a completely optimistic view of the future". The report has expressed satisfaction at the fact that most major auction centres the world over, especially Calcutta and London, have recorded higher average prices. Darjeeling tea realised an average price of Rs 14.23 for the season 1973 compared to Rs 12.58 and Rs 12.00 for the seasons 1972 and 1971 respectively. The prices realised by the other types of teas were also much higher than in the preceding two seasons. Taking all kinds of teas, the average price for the season 1973 was Rs 7.91 compared to Rs 7.14 and Rs 7.38 in 1971 and 1972 respectively. Referring to Calcutta leaf sales, the report reveals that during the season 1973-74, sale amounted to 105 million kg at a consolidated average price of Rs 7.91 per kg. Though this quantity was 13 million kg lower than in the previous season, the average showed a significant rise of 77 paise per kg, an increase of 11 per cent. The report points out that prices recorded "dramatic increases and were, on an average, upto 40 per cent higher in the closing sales of the season, held in the month of March". It may be recalled that the combined average prices of Indian tea sold at Calcutta, Cochin, and London auctions increased only from Rs 5.59 in 1962 to Rs 6.47 in 1971, a rise of just 16 per cent in about 10 years.

Does the realisation of higher prices for tea prove the usefulness of the auction system? J. Thomas & Co. have observed that "had there been no organised auction demand would have been diffused and producers, unable to find a yardstick, may not have received a fair return." They have said that if all producers will agree not to sell their produce privately, it would lead to better demand at the auctions and consequently better returns, But does the government of India subscribe to this view? The working of the auction system has come in for considerable criticism in the past and the government has set up a study team to examine its various aspects. The auction system may not be the ideal method of marketing tea but unless we are able to devise a more effective alternative, it will be unwise to disturb it.

The prospects for tea prices in the coming months seem to be quite encouraging due to the willingness of the UK blenders to pay more, the higher prices of coffee in many countries, and the lower level of output in Kenya, Sri Lanka and some other producing countries. It is therefore expected that the demand for Indian tea will continue to be buoyant particularly in Britain, West Germany, Russia, Afghanistan, Ireland and Iran. Some of these countries had reduced their offtake of Indian tea in 1973 an compared to the previous year. For instance, export to Britain declined from 53,579 tonnes in 1972 to 47,546 tonnes in 1973, to the USSR from 40,696 tonnes to 37,353 tonnes, to Afghanistan from 8956 tonnes to 8794 tonnes, to Ireland from 5679 tonnes to 4556 tonnes and to Iran from 3741 tonnes to 3483 tonnes. Though the overall export prospects seem brighter, the government of India and the tea industry should, by their combined efforts, try to secure better prices and earn more foreign exchange.

New Delhi should give sympathetic consideration to the industry's repeated plea for evolving a rational system of excise duty. As the differential system of excise duty has now been declared legal by the courts, it is no longer sub-judice. The industry therefore expects the Government to lower the burden of excise which has been steeply increased in recent years, adding substantially to the cost of production. The total revenue earned by the government of India from the excise duty on tea increased from Rs 4.71 crores in 1958-59 to Rs 39 crores in 1972-73, a rise of 728 per cent while, in the same period, tea production rose by 37 per cent. The industry has suggested that the excise rates should be substantially reduced and fully refunded at the point of export. Besides, it has proposed that a system may be devised by which the excise duty will be refunded on the additional crop produced over the average of the preceding three years, on condition that the money is spent for development purposes.

The government of India should examine these and other suggestions with a view to improving the industry's financial position. The fact that tea is now fetching attractive prices should not create an impression that the industry is financially sound. Studies by the Reserve Bank and other responsible organisations have revealed that in recent years the tea industry's profitability had suffered and that it could not plough back adequate funds or raise them from other sources for development. Moreover, though the immediate prospects for tea seem to be bright, it is not certain for how long this favourable situation will continue. New Delhi therefore should heed the industry's plea for appropriate fiscal relief.

It is also important to provide the industry with various inputs required to maintain production at a high level. Apart from the severe shortage of fertilisers, pesticides, weedicides, coal and furnace oil, the availability of other inputs like plywood, shooks, and fittings is also becoming costlier and scarcer. Besides, the supply of power has been irregular in some part of the country, which affects production. As the domestic demand for tea has been increasing at the rate of about 6 per cent per year, it is necessary to achieve a higher level of production so that adequate surplus for export will become available without affecting supplies to the home market.

The working of the Calcutta port has

to be improved in many directions in order to facilitate the flow of tea exports. J. Thomas & Co. have pointed out that the operations of the Calcutta port in the last season were disrupted due to labour trouble and the low draft in the river Hooghly. The oil crisis also created difficulties for the shipment of tea. It is stated that "unless some positive action can be taken by the authorities to ensure a smoother working of the Calcutta port, shippers may be forced to return to Kandla as a major alternative" and that the "threat to the Calcutta port will assume even greater importance when the Suez Canal is eventually reopened". In contrast to the complications in Calcutta, the functioning of the Cochin port during the last tea season has been described to be "very satisfactory".

India's competitors have been able to step up their production substantially in recent years. For example, tea production in Indonesia rose from 44,048 tonnes in 1970 to 54,546 tonnes in 1973, in Kenya from 41,077 tonnes to 56,578 tonnes, in Uganda from 18,217 tonnes to 21,149 tonnes and in Tanzania from 8492 tonnes to 12,658 tonnes. The tea industry in Bangladesh has also been recovering rapidly. In Sri Lanka the production of tea declined from 212,210 tonnes in 1970 to 211,271 tonnes in 1973. But Sri Lanka's tea exports increased from 190,189 tonnes in 1972 to 205,515 tonnes in 1973. The India tea industry should therefore be enabled to operate profitably and improve its competitive capacity.

Meanwhile, efforts are being made under the auspices of the Food and Agricultural Organisation to evolve a multi-dimensional approach to maintain remunerative level of prices for the world tea industry. It is expected that such an arrangement which will include measures for marketing, promotion and export regulation will help the tea industry to achieve steady prosperity. It remains to be seen to what extent these efforts will prove successful. In any case, the government of India and the state governments concerned should see to it that the tea industry is able to play its role effectively in the country's economy especially as a major earner of foreign exchange.

The medium entrepreneur

THE LAST few years have witnessed the gradual extension of the role of government in industry through various regulations. The new opportunities for investment depend more and more on a large mix of directions from several official institutions. Consequently, the committee on Development of Small and Medium Entrepreneurs which reported in October, 1973, has identified certain handicaps which have to be neutralised if the entrepreneurs in the medium scale sector are to flourish. The committee has rightly viewed that it is hard for a medium sized unit to raise capital on the capital market as it is considered too small by national institutions. On the other hand, a medium sized unit is considered too big by the standards of the institutions assisting the small scale sector. Moreover, the abolition of managing agency system in April, 1970, has left a wide gap in the facilities which were available to the medium scale units.

While the committee has done a good job in identifying various problems faced by the medium sized entrepreneurs, it has not cared to assess the extent or size of the medium scale industrial sector in the country. It may be pointed out that one of the terms of reference of the committee was to review the position in regard to the growth of entrepreneurship, particularly among new and medium entrepreneurs. The committee has, however, been content to define the medium sized units as those with the capital investment in fixed assets in the range of Rs 7.5 lakhs and Rs 5 crores.

The union government has recently announced the acceptance of some of the principal recommendations of the committee which include the creation of a new organisation to service the requirements of new and medium entrepreneurs. Whereas the government accepted the fact that special attention needs to be paid to the new class of entrepreneurs, it has decided to burden the Industrial Development Bank of India (IDBI) with certain vital functions relevant to the demands of the new entrepreneurs. The government has consequently decided to create a separate division within the IDBI to look after these requirements.

It appears that the government has shirked its responsibility of dealing with the issue and creating a new institution which could combine the various functions of encouraging the entrepreneurs. In fact it would have been proper for the committee itself to have clearly outlined the structure of such an institution after going through the various demands of the new entrepreneurs.

An important function of a new institution could be to provide all the assistance from one source so that teething troubles during the post-construction and post-implementation period of the units could be taken care of, without the entrepreneurs running about for various kinds of assistance from a number of agencies. The government's view is that the basic extension and promotional role will have to be played by the state level agencies such as directors of industries and small industries service institutions.

In this respect the work done by the National Alliance of Young Entrepreneurs (NAYE) in collaboration with the Bank of India through the scheme called BINEDS is significant. Under this scheme the NAYE has helped various young entrepreneurs with a package assistance to set up their units. This scheme has helped to identify investment opportunities and offered to solve implementation problems. It has arranged training, procurement of raw materials and marketing channels for the entrepreneurs through continuous consultancy service, A certain quantity of capital was made available with a suitable holiday period for repayment of principal and interest, depending upon the gestation period. The extent of entrepreneurs' own investment was determined by the resources available at their disposal and, in really deserving cases, even all the capital was made available. Over a period of two years, as many as 200 schemes were approved under this scheme with an outlay of nearly Rs 4 crores. It appears that the model established by the BINEDS is fairly sound. Perhaps the basis has been laid for an effort on a much larger scale.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Fuel Policy • Development of Tea Industry • New Fertilizer Projects

THE FINAL report of the Fuel Policy Committee, submitted to the union government a few days ago, is more or less on the expected lines. The committee has reiterated that in view of the sharp uptrend in oil prices during the recent past, the fuel policy of the country should be designed on the premise that coal would be the primary source of energy for the next few decades.

The committee's final assessment of the energy requirements of 1978-79 is marginally lower than the one contained in the interim report. The committee does not expect the energy requirements to exceed by the end of the fifth Plan period 135 million tonnes of coal, 34.4 million tonnes of petroleum products, 120 billion Kwh of electricity and 123 million tonnes of firewood, charcoal and dungcake. This is not at all surprising as the growth of the economy has left much to be desired in the recent past. Even these estimates of energy requirements may turn out to be on the high side as many fifth Plan development programmes are likely to go awry due to the present grave position of financial resources for the Plan.

coal as feedstock

With a view to containing the demand for petroleum products, an important suggestion of the committee is that all new fertiliser projects should be based on coal as feedstock. The committee feels that the product pattern of oil refineries should be changed to the production of high value products. The committee has also favoured popularisation of gobar gas plants and setting up of units for the manufacture of solid domestic fuels so that the growth rate of kerosene consumption can be brought down.

Another very significant recommendation of the committee is that the setting up of captive power plants should not be encouraged in the overall national interest. Instead, giant power stations should be established at coal pitheads.

The committee has urged detailed investigation of projects to utilise the hydroelectric sources of the country. It thinks that it should be possible to install about 600,000 to one million MW of hydel capacity on the river systems during the next two or three decades.

nuclear power

The committee has as well expressed itself in favour of an accelerated nuclear power development programme and hopes that fast breeder reactors would come on line during the second half of the 1980s. It has, therefore, recommended a priority attention for discovering additional uranium deposits. A high priority has also been recommended for the oil exploration programme.

In line with the emphasis it has placed on making coal the primary source of energy in the country in the years to come, the committee has called for the drawing up of a plan to expedite the movement of coal to the consuming areas from the Bengal-Bihar coal belt. It has suggested that the Central Water and Power Commission should prepare a feasibility report for the transportation of coal by pipelines, especially for meeting the requirements of super thermal stations.

For facilitating the implementation of a coherent and rational fuel policy, the committee has suggested the creation of an energy commission and a board consisting of the representatives of the ministries of Petroleum, Railways, Mines and Irrigation and Power and the Planning Commission.

* *

The Task Force on Tea, which was constituted a few months ago by the union ministry of Commerce under the chairmanship of Mr R. Tirumalai, Additional Secretary (Commerce), has made a number of useful recommendations for developing the tea industry on a sound basis. The recommendations relate to not only the financial requirements of tea growers but also to tea auctions and the reorganisation of the Tea Board.

With a view to easing the financial stringency faced by tea growers, the main recommendation of the task force is the establishment of a revolving fund of Rs 10.5 crores which would get augmented by the repayment proceeds from the hire-purchase schemes. The financial assistance programme, it has been stressed, should be rendered flexible by making loanees eligible even for individual items of machinery. Currently only packages of machinery requirements are being financed under this assistance programme.

Another important relaxation recommended in the assistance programme is that in the cases in which adequate individual security against loans is not available from the loanees, a joint equitable mortgage or collatoral security may be obtained.

needs of small growers

In the dispersal of benefits, the task force has specially paid attention to the needs of small growers and has suggested a number of relaxations in the conditions and terms for loan assistance to them.

The task force feels that besides the recent uptrend in prices, the scope for higher levels of consumption is a helpful factor for further investments in tea plantations. Investments would be facilitated if state governments provide for quick renewal of lease deeds wherever necessary, and also ensure, subject to the guidelines that they may lay down, fixity of tenure. A much bigger programme of support from financial institutions and also through ARC schemes and development schemes to be financed by the IDA and the World Bank or the Commonwealth Development Fund has been recommended.

A two-tier system for loan financing

with differential incidence as between the larger and the smaller growers, the cut-off point being holdings upto 8.089 hectares, has been proposed. The facilities to be offered for small growers, the task force feels, should also include technical assistance, supply of improved clones and high-yielding varieties of tea plants, besides extension services and also ancillary support through state government programmes for land development, soil conservation and minor irrigation and terracing.

The replantation scheme, it says, should be extended to rejuvenation, pruning and infilling methods. An institutional framework necessary for the dissemination of the fruits of research in tea cultivation has been suggested.

As regards marketing, the task force has stressed the need for a systematic and continuous collection of data which can help analyse the results of the functioning of the auction system and also reveal clearly the advantages and disadvantages of this system *via-a-vis* the other methods of disposal of tea such as garden sales which, of late, have been increasing in volume. It has identified the areas for streamlining the sales procedure under the auction system for which further regulatory measures will have to be taken by the trade. The task force does not feel convinced about the superiority of the Dutch system over the English system of auctions.

bonding facilities

The task force has further recommended the provision of bonding facilities for the industry in public warehouses. Emphasising the need for a proper coordination of cargo availability and shipping facilities, it has suggested that a statistical cell should be set up in the Tea Board to collect shipments data more promptly than is the case at present.

The task force has further stressed the need for securing higher unit value of tea through encouraging exports in bags and outgo of packaged tea and instant tea, if necessary, by making it an obligation in application of the relevant provisions of statutes.

The size of the Tea Board, the task force feels, can be reduced considerably. It has recommended that the Tea Board should be made a compact body of about 28 members. Along with this, it has, however, suggested the formation of a new committee which should deal with tea promotion and development. All the committees of the Tea Board, the task force has opined, should be delegated full powers—administrative and financial — in respect of the areas of responsibility entrusted to them so that they can implement their programmes more speedily and efficiently.

The task force has also suggested various methods of dispensing with the need for individual sanctions of schemes by the government, provided that the Tea Board submits fully documented budget estimates with details of the schemes to be implemented which can be considered at the time of framing the budget estimates for the following year and got approved by the central government "en bloc". Such approvals will include sanctions of foreign exchange for the schemes to be implemented by the Board.

* *

As a sequel to the Orissa Industrial Development Corporation — a state government agency — considering the setting up of a soda ash plant at Paradeep an uneconomical proposition, the union government is understood to have decided to enlarge the scope of the fertilizer manufacturing complex sanctioned for this site. The Fertilizer Corporation of India (FCI) has already been asked to revise its feasibility report for the fertilizer plant to accommodate the soda ash unit.

Originally the fertiliser plant at Paradeep was expected to produce NPK complex fertilizers to an annual capacity of 3,11,200 tonnes nitrogen, 300,000 tonnes P_2O_5 and 150,000 tonnes K_2O. It was envisaged that in addition to producing these quantities of fertilizers, the project would make available 140 tonnes of ammonia per day to the Orissa Industrial Development Corporation for producing soda ash.

The fertilizers unit, according to the feasibility report drawn up in 1970, was estimated to cost 248.36 crores. Not only this cost is now expected to be much higher, but also the cost of setting up the soda ash plant will have to be arranged by the central government.

The FCI will be financing the foreign exchange component of the fertilizer project out of the French credit of 300 million francs. No decision has yet been taken on the financing of the soda ash unit. The union government, however, is anxious to augment soda ash manufacturing capacity in the country as the present demand for this chemical far exceeds output. There is also good scope of exporting soda ash.

Negotiations have already been initiated by the FCI with certain French firms for the purchase of the equipment and machinery for the fertilizer units. The Paradeep project is one of the five important projects proposed to be set up during the current Plan period to meet the fertiliser targets of 1978-79. The other four projects are to be located at Bhatinda, Mathura, Panipat and Trombay. Significant progress is understood to have been made on the implementation of the Bhatinda and Trombay projects.

The Bhatinda project, with a daily capacity of 900 tonnes of ammonia and 1550 tonnes of urea — equivalent to 2.35 lakh tonnes of nitrogen per annum — is to be implemented with assistance from Japan. Japan will also be assisting the Panipat and Mathura units. It has offered a credit of 32.9 billion yen for the three projects. The credit would be repayable over a period of 25 years, including a grace period of seven years. It will carry an interest of four per cent per annum. An agreement for the first instalment of this credit, amounting to 11 billion yen, was signed on March 30, 1974. This instalment will be used for setting up the Bhatinda project.

Although Engineers India Limited are the prime contractors for the Bhatinda as well as the Mathura and Panipat Projects (which will have the same capacity as the Bhatinda unit), collaboration for them is also being arranged from Japan. Toya Engineering will be assisting in the implementation of the Bhatinda unit, which is envisaged to go into production in about 36 months. The task of developing infrastructure facilities at Bhatinda has already been taken in India.

foreign exchange

The Bhatinda project is estimated to cost Rs 138.4 crores with a foreign exchange component of about Rs 53 crores. The Panipat and the Mathura projects would cost Rs. 140 and Rs 146 crores, respectively. Their foreign exchange components are placed at Rs 51 crores and Rs 50 crores.

The Trombay project, which will be the fifth phase of the expansion of the existing unit there, is estimated to cost Rs 111.40 crores with a foreign exchange component of Rs 27.80 crores. This foreign exchange cost is expected to be met through credits from Italy and Austria. Austria is understood to have already indicated a credit availability of seven to 10 million dollars. The quantum of assistance likely to be available from Italy has not yet been finalised. The implementation of this project is expected to be taken up by the end of this year. It is likely to go into commercial production by April 1978. Its capacity will be similar to that of the Paradeep plant.

POINTS OF VIEW

Millions in third world face desperate future

Robert S. McNamara

In the twelve months since our meeting in Nairobi the world economic scene has grown increasingly turbulent. The series of changes which have occurred have been of a magnitude previously associated only with major wars and depressions. New problems have arisen, older problems have become more acute, and the cumulative impact of events has touched every nation represented in this room.

What I propose, then, to do this morning is to review with you:

- The scope and interrelated nature of these events;
- Their implications for development on various groups of our member countries;
- The general measures which might be taken to assist those developing countries most seriously affected by the current problems;
- And what I believe the World Bank can and should do in its Fiscal Years 1975-1979 programme to help meet this new situation.

web of external forces

I want to emphasize at the outset one fundamental point which will underlie the whole of my subsequent argument. It is this. Though all of us have been affected in varying degrees by these complex events, by far the most adverse effects have fallen on those countries least able to cope with them: our poorest developing member nations.

These low income countries — relatively disadvantaged in natural resources, without significant foreign exchange reserves, and already suffering from serious internal deprivations — now find themselves caught in a web of external economic forces largely beyond their control. They can do little to influence the current disequilibrium, nor did they precipitate its underlying causes. And yet they have become the principal victims, and are faced with the severest penalties.

Address to the Board of Governors of the World Bank Group delivered in Washington on September 30.

These countries contain a billion individuals.

Whatever the problems and preoccupations of the rest of us may be, we simply cannot turn our backs on half the total population this institution serves.

The real issue, then, is whether we, in this forum, fully understand what is happening to the poorest countries — and having understood it, are ready to do what is necessary to assist them.

That is the essence of what I want to talk to you about this morning.

But before I turn to that in detail, I want to refer back to our last two meetings.

II

Social Equity and Economic Growth

Two years ago I began a discussion with you of the critical relationship of social equity to economic growth. I emphasized then the wide disparity in income that exists among the peoples of the developing countries, and the need to design development strategies that would bring greater benefits to the poorest among those peoples: the roughly 40 per cent of the population in every developing country who are neither contributing significantly to their nation's economic growth nor sharing equitably in its economic progress.

Last year in Nairobi I explored this problem further, pointing out that among the two billion people living in the more than 100 developing countries the Bank serves, there are hundreds of millions of individuals barely surviving on the margin of life, living under conditions so degraded by disease, illiteracy, malnutrition, and squalor as to deny them the basic human necessities. These are the "marginal men," men and women living in "absolute poverty"; trapped in a condition of life so limited as to prevent realization of the potential of the genes with which they are born; a condition of life so degrading as to insult human dignity — and yet a condition of life so common as to be the lot of 40 per cent, some 800 million, of the peoples of the developing countries.

increasing productivity

At Nairobi I outlined a programme for the Bank which would begin to deal with these issues. That programme will put primary emphasis not on the redistribution of income and wealth—as justified as that may be in many of our member countries—but rather on increasing the productivity of the poor, thereby providing for a more equitable sharing of the benefits of growth. I want to report on the steps we have taken to initiate that programme and something of what we see ahead.

The first step in reaching the poorest 40 per cent is to identify them — where they are, what they earn, and what public services reach them. With 70 per cent of the population in the developing countries living in the rural areas, the centre of the problem is there. And within the rural areas, we can usefully distinguish the following poverty groups:

1. Small farmers whose land holdings are of a size and quality which should enable them to sustain themselves and their families, as well as to produce a marketable surplus, but who now do not do so;
2. Small farmers who cannot sustain

the farm family without additional land or without supplementary income from non-agricultural activities;

3. The landless, some of whom migrate to larger towns and cities for off-season temporary employment.

Altogether, these categories contain some 700 million individuals. We do not now have all the information we need to identify the different groups in individual countries. We are, therefore, collaborating with the Food and Agricultural Organization on the development of a better data base and on obtaining a better understanding of the present and potential levels of productivity of individuals in each category.

You will recall that we stated that a reasonable overall productivity improvement objective was to increase production on the 100 million farms, with areas of less than 5 hectares, so that by 1985 their output would be growing by 5 per cent per year, a rate more than double that of the 1960s. It is clearly an ambitious goal, but one whose achievement is made more urgent by the continuing food shortage in the developing world.

pursuit of goal

The Bank is determined to pursue this goal. But I should stress that what the Bank does is much less important than what governments do to deal with these issues. Progress will only be possible if the countries themselves are willing to make strong commitments to pursue agricultural strategies directed towards the promotion of new income and employment opportunities for the poorest groups. This will involve commitment to effective land reform, assurance of adequate credit at reasonable cost, and re-assessment of pricing, taxation, and subsidy policies which discriminate against the rural areas. We are prepared to work closely with governments that wish to take such actions.

Already we see evidence that the objective of a 5 per cent per annum increase in production can be realized. In the past year, we assisted in financing 51 rural development projects in 42 countries involving a total investment of almost $2 billion. These projects are expected to directly benefit at least 12 million individuals. They should generate increases in production of more than 5 per cent per annum for the beneficiaries whose present incomes average less than $75 per capita.

During the next five years our lending to agriculture should double, supporting projects whose total costs will approximate $15 billion and whose direct benefits should extend to 100 million rural poor.

We expect the economic returns on these investments to exceed 15 per cent. They would be similar to the following five projects which were approved by the Bank's Board of Directors in a single two-week period this summer.

the projects

A $10.7 million credit for agricultural development in the southern region of the Sudan which will provide a higher standard of nutrition for some 50,000 farm families through expanded food crops; will assist an additional 13,000 farm families through new cash crops; and will benefit roughly half the region's total population of three million people through improved, disease-free livestock.

An $8 million credit for a comprehensive rural development project in Upper Volta, covering extension services, small-farmer credit, improved water resources, and greater access to health facilities; a project calculated, in all, to benefit some 360,000 individuals, 7 per cent of the country's total population in over 10 per cent of the country's cultivated land area.

A $21.5 million credit for a broadly based livestock development programme in Kenya, including provisions designed to assist traditional nomadic herders; to improve 10 million acres of communal rangeland; and to expand wildlife areas in order to lessen the conflict for food and water between wildlife and cattle. The programme will enhance the incomes of 140,000 rural inhabitants.

An $8 million credit for an integrated rural development project in Mali providing farm inputs and equipment; an expanded functional literacy programme; improved medical and veterinary facilities; and an agricultural research programme. The programme will reach over 100,000 farm families — some one million individuals — with agricultural services that are projected to triple their per capita incomes.

A $30 million credit for a comprehensive dairy development project in India, providing for an increase in production of a million tons of milk a year, as well as for 100,000 heifers; and organizing small cattle owners into 1800 dairy co-operatives which will directly benefit some 450,000 farm families—2 1/2 million individuals — the majority of whom own holdings less than two hectares in size, or are landless. The economic return of the project is estimated at more than 30 per cent on the capital invested.

Last month the Board approved:

A $10 million credit for a rural development project in one of the poorest regions in Tanzania to enhance the productivity, incomes and living standards of some 250,000 people — roughly half the entire rural population of the area — through improvements in agricultural practices an infrastructure investments for 135 newly-established villages. The project aims at doubling the per capita incomes of the villagers over a twelve-year period.

Many more similar projects are under preparation. For example:

A project in the three northern states of Nigeria providing for the construction of 3500 kilometres of low-cost farm-to-market roads, 250 earth dams, 480 rural water supply ponds, and new marketing and credit services. It is designed to benefit 226,000 rural families — over one and one-half million people — by raising incomes substantially above their present level of $40 per capita per year.

A project in one of the poorest regions of North-eastern Brazil to raise the productivity of 33,000 farms (which support 200,000 people) by increasing in the number of extension agents, establishing demonstration farm plots, and introducing improved credit, marketing, health, and education facilities.

A project in India's drought-prone areas which cover 250,000 square miles, and in which 66 million people live. It aims to diversify their production into activities less dependent on rainfall. The project includes minor irrigation works, water-shed management, improved crop production methods, sheep and dairy development, credit facilities (especially to smallholders), applied research, and farmer training programmes. A population of over one million will have their incomes increased as a direct result of the project. 100,000 man-years of additional employment will be generated.

rural development

Perhaps the most comprehensive project we are working on is an effort to assist the government of Mexico in its nation-wide programme of rural development. It is designed to reach the lowest income groups and would involve a total investment of $1.2 billion over a four-year period. The programme grew out of the government's realization that, although the nation had achieved, over the last three decades, the highest sustained growth in agricultural production in Latin America, rural poverty appeared to have worsened in many regions throughout the country, especially in semi-arid zones. The economy had been unable to provide the growing rural population with productive employment.

The thrust of the new programme is to provide productive investments in low-income rural areas through small-scale irrigation, rainfed crop production, fruit and vegetable growing, and rural industries. These will be supported by associated investments in labour-intensive feeder road construction, water and soil conservation projects, and support services for the implementation of the Mexican land reform programme. There will be provision, too, for social infrastructure, such as rural schools, water supply, health facilities, and electrification. This is, in fact, the most complex programme with which the Bank has ever been associated.

It is true that the risks of failure are greater in rural development projects than in some of our more traditional investments. Complicated problems of technology, organization, land tenure, and human motivation remain to be resolved. And yet for the first time we are beginning to see substantial income and employment benefits within the reach of very large numbers of the rural poor, along with high economic returns to the national economy.

What is common to all these efforts within the Bank is an increased emphasis on innovative project design directed toward raising the productivity of the absolute poor, and toward helping them become greater participants in their country's progress. It is clear that development efforts of the past, both by governments and by the Bank, have simply not made an adequate contribution to the welfare of this huge and growing group. We must make sure that the unprecedented combination of events which is presently disturbing the world's economy — to which I now want to turn — does not distract our attention from this fundamental task.

III

Recent Economic Events

While the economic changes of the past year have been massive, the fact is that no one can see clearly yet either their extent or their duration. In such circumstances, projections of the future are bound to be uncertain. But they must be made if we are to initiate the long lead-time actions required to minimize the adverse effects of the changes, particularly those which are so seriously affecting many of the developing nations.

In this section I want to review the scope and interrelated nature of these events, with particular emphasis on worldwide inflation; changes in the prices of petroleum and other commodities; and the impact of these changes on the outlook for economic growth in the developed nations (which constitute the principal export markets of the developing countries). This discussion will be followed by a review of the effects of these events on the growth prospects and capital requirements of the developing countries through the remaining years of this decade.

There has, of course, been a significant acceleration in the rate of inflation in the developed nations. It began before the rise in the prices of petroleum and other primary commodities, and it is only partially explained by them.

International prices, which had risen only six per cent in the decade prior to 1968 — less than one per cent per year—have risen at an annual rate of nearly 10 per cent in the five years since. The annual rate of inflation will surely decline from the 1974 level of 14 per cent but could well average more than 7 per cent for the period 1976-80.

benefits offset

Inflation benefits virtually all of the developing countries by reducing the burden of their debt service in relation to the value of their exports. However, for many of them — and especially the poorest — this benefit will be more than offset by the deterioration in their terms of trade.

Furthermore, inflation has already eroded the value of the concessionary aid which they receive. Most governments have not increased the amounts appropriated for Official Development Assistance (ODA) to offset inflation. ODA has declined, therefore, from 0.34 per cent of the GNP of OECD countries[1] in 1972 to 0.30 per cent in 1973 and is likely to fall further in the years ahead.

Contributing to world inflation during the past twelve months has been the increase in the price of petroleum. Relative to export prices of manufactured goods, it has risen by four hundred per cent. Although there had previously been a slow, long-term decline in petroleum prices which called for correction, the recent action has resulted in a price that is more than twice as high as it has been in the postwar period in relation to other commodities.

Since imported oil has provided the principal increase in world energy supplies in recent years and cannot rapidly be replaced by other sources, the effect of the price rise is a global imbalance of payments of unprecedented magnitude. Although the export surplus of the members of the Organization of Petroleum Exporting Countries (OPEC) will be offset in part by rapidly rising imports and perhaps by a reduction in oil prices, a substantial trade imbalance is likely to persist at least through the end of the decade.

I am concerned here not with the decision to increase the price of oil, but rather with its consequences for the less developed countries. There are two:

> The cost of their current volume of oil imports has been increased by some $10 billion, which is 15 per cent of their total import bill, and equal to 40 per cent of the entire net inflow of external capital last year. As a result the countries least able to finance this cost increase have already had to curtail their development programmes.
>
> By the end of the decade some of the OPEC countries are likely to have a continuing balance of payments surplus totalling some $30-60 billion per year (in 1974 prices), the amount depending on their absorptive capacity and price policies as well as the success achieved by oil-importing countries in developing other sources of energy. Of this surplus, roughly a quarter — $8-15 billion in 1974 prices —would be directly with the other developing countries. The remaining $22-45 billion of the surplus would be with the developed countries. Such an imbalance would be so large as to exert a cumulative strain on the economies of the developed nations and on international financial markets, making it more difficult for developing countries to expand export earnings and to finance their balance of payments deficits.

commodity price changes

Prices of other primary products — prices which had remained fairly stable from the 1960s to mid-1972 — have been increasing very rapidly since then. The high prices of commodities exported by developing countries in 1973 reflected the high level of demand prevailing in a period of exceptionally rapid growth in almost all industrial nations. The failure of

Index of International Prices*

	1956	1968	1972	1973	1974	1975	1980
Index (1967-69=100)	94	98	128	154	175	194	278
Percent change over previous year	2.3	—1.4	10.1	20.5	14.0	10.9	7.5

*An index of capital goods and manufactured exports prices of major developed countries. The index also reflects changes in exchange rates.

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[1] Twenty-four developed countries which are members of the Organisation for Economic Cooperation and Development.

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wheat and rice crops in widespread areas of the world in 1972 and 1973 also had far-reaching effects on prices of cereal grains. Although some developing countries have benefited from the recent commodity boom, only a small number of them—principally mineral producers—is likely to continue to do so for the remainder of the decade.

Beyond 1974, price projections for primary commodities depend on the assumptions made about growth in the industrial countries, the major markets for such products. Since, as will be discussed below, the growth prospects in these markets for the remainder of the decade are less than they were in the 1960s and the early 1970s, the prices of most primary commodities are not likely to be very buoyant in the years ahead.

effect of price changes

The net effect of the increase in the prices of petroleum and other primary commodities, together with widespread inflation in the industrialized nations, will be a substantial change in the terms of trade of the developing countries — that is, in the relationship between the prices of their exports and imports.

For the average of all primary commodity exports, 1973 represented a return to the peak price levels of the Korean War. However, this commodity boom has benefited mainly the richer primary producers, while the poorest suffered both in their terms of trade and in their export volumes. By the end of the decade, as indicated in the table alongside, there is likely to be a decline in the terms of trade of virtually all of the developing countries, with the exception of the petroleum and mineral producers. The poorest countries will in general be the most severely affected. They are likely to suffer a decline of over 20 per cent. As a result, even with expanding export volumes, there will be little increase in the purchasing power of their exports in the face of rapidly increasing import requirements.

The industrialized nations have reacted to the rise of petroleum prices and other commodity prices, and to the worldwide inflation, in ways which have reduced their growth rates. Although they have been pursuing policies designed to adjust to the higher costs of energy and to the other inflationary forces, with minimum impact on production and employment, some slowdown of their economies following a period of very high growth was inevitable.

The sharp increase in the cost of petroleum was bound to lead to basic shifts in the structure of their economies, while the sharp rise in balance of payments deficits and the higher levels of inflation have exacerbated the already complex problems of managing the international financial system. All of these factors will continue to have an impact on the growth rates of the OECD countries. The effect to date is shown by the table below.

Rates of Real Growth of OECD Countries
(Gross National Product)

	Per cent
1960-70 (average annual)	4.9
1972	5.8
1973	6.7
1974	1.3

In comparison to growth rates of 5 and 6 per cent in past years, present indications are that the GNP of the OECD countries in 1974 is growing at only 1.3 per cent.

As for the future, a return to the 5 per cent rate of growth realized in the 1960s would require both effective measures to reduce inflation without reducing production, and, equally important, the orderly recycling of the surpluses of the OPEC countries to finance the structural deficits of the industrial countries. Given the difficulties of achieving these objectives, it is only prudent to consider the effects on the developing countries of a drop in GNP growth in the OECD countries to, say, 3.5 per cent or 4.0 per cent for the remainder of the decade.

The adverse effect on the developing countries of such a reduction in economic growth in their major markets would be great. There is a strong relationship — almost 1 to 1 — between changes in the growth rate of the OECD countries and that of the oil importing developing nations. This is not surprising. Exports to OECD countries constitute 75 per cent of the total exports of those nations. A diminished growth rate in the OECD countries translates very quickly into reduced demand for these developing nations' exports, leading in turn to a reduced capacity to import, and hence to lower rates of growth.

IV

Consequences of Recent Events

Any one of the events described above — the deterioration in the terms of trade, worldwide inflation, the increase in the price of oil, the slowdown in the rate of growth of the OECD countries — would have had a serious impact on the developing nations. In combination, the effect on some nations has been near disaster. The trade deficit of all the oil importing developing nations will more than double this year to approximately $20 billion, and, if they are to maintain even minimum economic growth, it will continue to rise for the remainder of the decade.

Moreover, if present trends continue, Official Development Assistance, as a

Terms of Trade: 1973 Vs 1980

(1967-69=100)

	Population (in millions)	Terms of Trade	
		1973	1980
Developing Countries:			
1. Major Oil Producers	300	140	350
2. Mineral Producers	100	102	102
3. Other Developing Countries:			
A. With per capita incomes over $200	600	104	95
B. With per capita incomes under $200	1,000	95	77
Total	2,000		
OECD Countries	600	99	89

percentage of GNP, will continue to decline, and may not even increase sufficiently to offset the effects of inflation. Furthermore, unless steps are taken to expand the supply of capital on intermediate and market terms to the more creditworthy developing countries, they will have difficulty competing with the OECD countries in international markets for the funds necessary to finance their increased trade deficits.

If we were to assume that capital flows to the developing nations, with some adjustments for inflation, would rise from $20 billion to as much as $33 billion between 1973 and 1980, including an increase in Official Development Assistance from $10 billion to as much as $17 billion — assumptions which are probably optimistic and which I will examine in greater detail in a moment — it is estimated that the growth rates for the developing nations would be as shown in the table below:

As is apparent, the growth rates projected for all of the developing nations, other than the petroleum and mineral exporters, are substantially below the levels which were thought likely only a few months ago.

Some countries — for example, Thailand and the Philippines whose reserves have benefited from buoyant export prices, or Turkey and Yugoslavia which have received substantial remittances from their workers abroad—can partially finance the heavy 1974 trade account deficits and can avoid severe deterioration of their growth rates. The prospects of other countries such as Korea and Brazil, which have been steadily expanding their export of industrial goods, are much better than those of countries dependent on agricultural exports.

The major impact is on the poorest nations. The rising prices of imported petroleum, fertilizers, and cereals, the slack demand for their exports to developed countries, and the erosion by inflation of the real value of development assistance, all have dealt severe blows to the growth aspirations of the poorest members of the Bank. These nations, with a population of one billion, and incomes averaging less than $200 per capita, on the most likely set of assumptions regarding commodity prices, capital flows, and growth rates in the OECD countries, would suffer an actual decline in their per capita incomes. The effect of this on the already marginal condition of life of the poorest 40 per cent within these countries is an appalling prospect.

The countries thus affected are mostly in South Asia and Africa. Consider the following cases :

INDIA: Higher oil prices will add $800 million to India's import bill this year—an amount equivalent to roughly two-thirds of her entire foreign exchange reserves, over 25 per cent of her total exports, and far in excess of the previously projected net resource transfer. Price increases for nitrogenous fertilizer — and India is the world's largest importer of this essential ingredient of increased agricultural production — will add another $500 million; and higher prices for essential foodgrain imports still another $100 million.

SRI LANKA : Despite large cuts in food rations, in 1974 cereal grain import costs will rise by $100 million, fertilizer by $40 million, and petroleum by $100 million. And stagnating world prices of tea — Sri Lanka's major export — have in effect locked the country into a long-term deterioration in its terms of trade.

Developing Country Rates of Growth Per Capita

(GNP Growth Per Capita)

Developing Countries by Group	Population (in millions)	Average 1965-73	Average 1974-80
		per cent	per cent
1. Major Oil Producers	300	5.4	8.4
2. Mineral Exporters	100	1.2	3.8
3. Other Developing Countries:			
A. With per capita incomes over $200	600	4.3	3.4
B. With per capita incomes under $200	1,000	1.1	—0.4
Total	2,000		

BANGLADESH : Devastated by both flood and war, the country has had to devote most of its imports to essential reconstruction and minimum food requirements. It has been unable as yet to mount a sustained development programme which its more than 75 million people desperately require. To do so it would have to increase its imports substantially, and yet this year alone the new oil prices will add $70 million to its costs, and food and fertilizer price increases an additional $100 million.

The SAHELIAN COUNTRIES OF AFRICA: Due to the most devastating drought in their history, Mali, Niger, Upper Volta, Mauritania, Senegal and Chad have been unable to take advantage of the favourable world prices of their chief exports: groundnuts, cotton, and livestock. The surge in petroleum prices has driven the cost of their essential fuel imports from 10 per cent of their export earnings to 30 or 40 per cent, at the same time that their food import requirements — literally to stave off mass starvation — have risen drastically.

The East African countries of Tanzania, Somalia, and Kenya are also facing severe balance-of-payments pressure.

V

Measures to Speed the Adjustment Process

To assist the developing countries in meeting the cumulative impact of these problems, the Bank has examined the internal and external adjustments which might be undertaken to minimize the setback to development summarized in the tables here.

Much must be done by the developing countries themselves, particularly in restructuring their patterns of use and procurement of energy and even more in expanding their production of cereal grains.

The impact of the petroleum price increases on the balance of payments of the developing nations could be diminished, of course, if they could reduce their consumption of imported petroleum. This could result either from a reduction in their consumption of energy in general, or through a shift from imported petroleum to domestic sources of energy supply.

While greater efficiency and conservation in energy use may be feasible in some cases, the amounts involved will be small. On average, the one billion people in the countries with per capita incomes below $200 consume only about one per cent as much energy per capita as the citizens of the United States. Reduction of energy consumption in those countries in any significant degree can only lead to reductions in industrial and agricultural production, and a lowering of the standards of living for the masses of the population.

The outlook for substituting other forms of energy for petroleum is brighter. It will be possible in many countries, for example, India, Pakistan, Brazil and Turkey, to generate power using alternative energy sources. Petroleum based plants can be replaced with hydropower, geothermal power, or with coal, lignite or nuclear fuel plants. But even in countries where these alternative energy sources are available (and in some, such as Kenya and Upper Volta, this is a very uncertain prospect), exploiting these sources will require time-consuming geological or hydrological surveys and very large additional capital investments.

production of food grains

Moreover, the resources to be used for these investments must be drawn away from other projects, thereby reducing the countries' development programmes. And in any event, it will be from 5 to 7 years before such facilities for energy production can become operational and begin to offset the increased foreign exchange costs of petroleum imports.

Although there has been a reasonable long-run balance between supply and demand of food grains for the world as a whole, there has been a serious and growing shortage of food production in the developing countries. Unless remedial action is taken, the situation will become much worse. The principal reasons for the shortage have been the rapidly expanding population in these countries and their failure to achieve satisfactory levels of agricultural productivity.

Were present trends to continue, it is estimated that the cereal grain import requirements of the developing nations could double between 1970 and the middle of the next decade. By that time those countries would be seeking to import 70 to 80 million tons per year, and the foreign exchange required each year could reach $20 billion. This additional requirement could not be met from any reasonable projection of export earnings or capital inflows. There is only one answer to this problem: the 2.9 per cent rate at which the developing countries have increased their output of food grains over the past decades must be increased substantially.

immense potential

This can be done. Grain yields in the developing countries are no more than 40 per cent of the yields in the developed countries. The developing countries do have the potential to increase their agricultural productivity. But that potential cannot be realized unless the developing countries themselves initiate action on a wide front, including measures to expand the cultivated areas under irrigation, promote the availability and use of fertilizer, and maintain a price structure which provides farmers with adequate incentive to grow more food. These are the prerequisites to increasing productivity, and they will require substantial sums of capital.

Investments in world fertilizer capacity have been inadequate to cope with the sharp increase in the demand for fertilizers in the major grain-exporting countries of the OECD, and in the developing countries which have been modernizing their agriculture. The developing countries' share in total world consumption of fertilizers has increased from 10 per cent in 1961 to about 17 per cent today, and it is projected to increase further to 25 per cent by the end of the decade.

We estimate that by 1980 the demand for nitrogenous and phosphatic fertilizers in the developing countries will exceed 22 million metric tons annually, only half of which can be produced with their existing capacity and its currently planned expansion. To add 11 million tons of additional production capacity would require an investment of some $6 to $10 billion.

Many developing nations have already initiated action to conserve energy and to explore alternatives to continuing increases in petroleum imports. Some have started to reduce their dependence on imported foodgrains. But years will pass before these efforts bear fruit. In the meantime, the higher import costs of petroleum, food grains, fertilizer, and manufactured goods will place a heavy burden on their balance of payments and reduce their savings available to finance investment. Unless these requirements are met by additional capital flows, the result will be further declines in the rates of growth.

This brings us to a discussion of the volume of capital required, in particular by the poorest developing countries, to prevent this outcome.

VI

Capital Requirements

Earlier I stated that were we to assume that capital flows to the developing nations

Developing Country Rates of Growth Per Capita

		GNP Growth Per Capita		
Developing Countries by Group	Population (in millions)	Average 1965-73	Average 1974-80	
			Case I	Case II
		per cent	per cent	per cent
1. Major Oil Producers	300	5.4	8.4	8.4
2. Mineral Exporters	100	1.2	3.8	3.8
3. Other Developing Countries:				
A. With per capita incomes over $200	600	4.3	3.4	4.0
B. With per capita incomes under $200	1.000	1.1	—0.4	2.1
Total	2,000			

would increase from $20 billion to $33 billion between 1973 and 1980, with Official Development Assistance rising from $10 billion to $17 billion, growth rates during these years for the developing nations (excluding the petroleum and mineral exporters) would average 3.4 per cent per capita for the countries with individual incomes over $200 and would actually decline for those with incomes below $200. It is time to examine that assumption (shown as Case I in the tables on this page and on page 657) and to consider alternatives.

unacceptable figures

The 3.4 per cent per capita rate of growth projected for the middle and high income countries is far from satisfactory, and the decrease of .4 per cent projected for the poorer countries is totally unacceptable. Were we to raise these rates by planning on a 4 per cent per capita growth for the countries with incomes over $200 and a rate one-half of that for those with incomes of $200 or less, we estimate that the capital requirements by 1980 would rise by 60 per cent. Total capital required would increase from $33 billion to $ 53 billion. ODA would have to rise to $24 billion, a huge sum, but a sum which would still be no larger than its present share of the donors' projected GNP. These data are shown in Case II.

Two-thirds of the increase in the capital required from 1973 to 1980 is needed simply to compensate for the higher prices of commodities and services imported by the developing countries.

Are such capital flows attainable?

In considering the question, I want to emphasize two points:

First, the substantial increase in market terms borrowing that the middle and higher income developing countries must undertake — efforts which can succeed only if the recycling mechanisms make special provision for the very large capital requirements of these countries as well as for those of the developed nations.

And second, the alarming rate at which inflation is eroding ODA flows and the failure to compensate for this because of what might be termed the "money illusion" — that is, failing to recognize that in periods of rapid inflation the same number of dollars, at different moments of time, do not represent the same real values.

While the rapid growth of the Eurocredits extended to the developing countries in the recent past is striking, the total market borrowing by these countries was heavily influenced by the amounts lent to a few of the nations with a high credit standing. More than $3.3 billion out of the total of $8.8 billion raised in 1973 by the developing countries went to just three nations — Mexico, Brazil, and Peru — and an additional $2.1 billion went to the oil and mineral exporting countries. Very little was loaned to Turkey, Korea, the Philippines, Thailand and other middle income countries which will need large amounts of such capital in the future.

To support Case II, the amount of $8.8 billion raised in 1973 would have to increase to $15 billion within the next two years and to some $24 billion in 1980; and the number of borrowers would have to increase significantly.

It is to be hoped that the international banking community will recognize that many of the developing nations, if assisted to make the structural adjustment necessary to realize their long-term growth potential, represent excellent opportunities for profitable placement of surpluses, particularly those generated initially in the OPEC countries. But, as I suggested before, one cannot be sanguine about the prospects of increased borrowing by the developing countries from the Eurocredit markets unless the developed countries provide some support to those markets. The developing countries will face heavy competition from the developed countries seeking to draw on OPEC surpluses to finance their own balance-of-payments deficits.

Market borrowing has not been a source of funds open to the lower income countries. These nations must depend mainly on concessionary flows, principally ODA. And it is in relation to ODA that the effects

Net External Capital Flow Required to Achieve Growth Rates in Table on p. 657

(in billions of dollars)

			1980	
		1973	Case I	Case II
Official Development Assistance:	Amount	$9.4	$16.7	$24.4
	per cent of Donor GNP	.30%	.20%	.30%
Other Concessionary Aid		$1.9	$5.5	$5.5
Market Terms Borrowing		$8.8	$10.8	$23.6
Total Net External Capital Flow		$20.1	$33.0	$53.5

Actual and Projected Flows of Official Development Assistance

(Amounts in billions of dollars)

									1980	
Total	1960	1965	1970	1971	1972	1973	1974	1975	Case I	Case II
In Cur. Prices	4.7	5.9	6.8	7.8	8.7	9.4	10.7	11.9	16.8	24.4
In 1973 Prices	7.7	9.0	9.3	10.0	10.0	9.4	9.4	9.5	9.3	13.5
As per cent of GNP	.52	.44	.34	.35	.34	.30	.30	.29	.20	.30
ODA Deflator	61	65	73	78	86	100	114	126	181	181

of the "money illusion" become most apparent.

In the past ten years, ODA in relation to GNP has decreased by one-third. Today it is running at scarcely 40 per cent of the .7 per cent target. Since that objective was established by the United Nations General Assembly in 1970, there has been no increase, in real terms, in the concessionary flow despite a 12 per cent increase of GNP in the donor nations. The reason, I believe, is clear: legislatures fail to recognize that the 62 per cent increase between 1970 and 1974 in the money value of the ODA which they have appropriated not only contributes nothing toward attaining the .7 per cent objective, but just barely maintains the real value of the 1970 level of assistance.

important step

The most important single step the developed nations could take to assist the one billion people of the poorest countries would be to recognize that the effects of inflation alone require—and will continue to require — major increases in the appropriated money values of Official Development Assistance.

The OPEC countries are beginning to help meet the capital requirements of the developing nations, including making contributions to ODA which are larger in proportion to gross national product than those of the OECD nations.

Excluding Indonesia and Nigeria which are not in a position to export long-term capital, the projected change in the financial position of the OPEC countries, between the year 1973 and 1980 is shown in the table alongside.

The data show that the OPEC countries will be highly liquid in 1980, although their GNP will be but a small fraction of that of OECD, and their per capita incomes, on average, substantially less. In these circumstances, it can be expected that they will divert a portion of their liquid funds to the financing of the ODA increases required by the poorest countries. But a far larger portion of the OPEC surpluses will no doubt be used to finance the very large capital requirements of the middle and higher income nations.

The OPEC countries have already taken a number of initiatives which may lead to an increase in the flow of their development aid. These range from Iran and Iraq's agreements to supply India with specified quantities of oil on deferred payment terms, to the creation of the Saudi Arabian Development Fund, and the very substantial expansion of the Kuwait and Abu Dhabi Development Funds. But many of these initiatives will take time to organize and to staff. Disbursements are, therefore, likely to be slow. The World Bank has offered its assistance to these institutions to accelerate the flow of funds.

VII

Contribution of World Bank Group for Fiscal 1975-79

The net effect of the events we have discussed is a dramatic increase in the capital required by the developing nations for the achievement of even modest rates of growth during the remaining years of the decade. The present plans of the OECD and OPEC countries do not indicate that sufficient capital will be available. Under these circumstances I believe the World Bank Group must expand its lending to the maximum permitted by prudent financial management and the availability of funds.

Projected Change in the Financial Position of the OPEC Countries

(Excluding Indonesia and Nigeria)

	1973	1980
OPEC GNP—Amount	$76 billion	$411 billion
Per cent of OECD GNP*	2.5 per cent	5.0 per cent
GNP per capita—		
OPEC	$951	$4,240
OECD*	$4,735	$11,980
OPEC Foreign Exchange Reserves and External Investments	$24 billion	$624 billion
OPEC Income on External Investments	$ 2 billion	$40 billion

*The OPEC GNP figures are not strictly comparable with those of the OECD countries. The former include a high proportion of income from the production of non-replaceable assets for which no depreciation allowance has been provided. Were this factor to be taken into account, OPEC per capita GNP in 1980 would probably be 30 per cent less than shown.

The programme which I have presented to our Board of Directors for their consideration is a first step in that direction.

It provides for total lending in the five fiscal years 1975-79 of $36 billion. The programme which the Board has approved for FY75 contemplates commitments totalling $5.5 billion, compared to $4.5 billion in the fiscal year just ended, and $3.5 billion in the year before that.

The total of $36 billion for the five years compares with $16 billion for the previous period (FY1970-74). However, the increase of $20 billion — 125 per cent in money terms — provides for an increase of only 40 per cent in real terms (7 per cent per annum).

effect of inflation

At Nairobi, the negotiators of the countries contributing to the International Development Association (IDA) believed that their pledges of $4.5 billion for the 4th Replenishment period would provide an increase of 55 per cent over the level of the 3rd Replenishment. Already that expected increase has been more than offset by actual or projected inflation. It now appears that the 4th Replenishment, in real terms, will be slightly smaller than the 3rd. To minimize the impact of this loss of value, we propose to shift the allocation of scarce IDA resources in such a way as to concentrate them on the countries most seriously affected by the recent economic developments. We intend to give priority in these countries to raising agricultural production in general and the productivity of the rural poor in particular.

The proposed Bank Group programme is large. It will require net borrowing during the five years of over $13 billion. Much of that amount can, I believe, be borrowed from OPEC countries. They have been most cooperative with the Bank and in recent months we have received loan commitments from them totalling $2 billion. But as large as the Bank programme is, in combination with the other funds which the OECD and OPEC countries indicate they plan to make available to the developing countries, it is totally inadequate to meet minimum development objectives.

I strongly recommend that the proposed Joint Ministerial Committee, as its first item of business, appraise the needs of the developing nations for additional capital and examine possible sources of funds to meet those needs. The formation of the Committee offers a new and welcome opportunity to focus the attention of the world's governments on the progress, or lack of progress of the developing nations, as well as the progress, or lack of progress of the richer countries in meeting their responsibility to support development in those nations.

VIII

Central Points

Let me now conclude by summarizing the central points I have made this morning.

Although there are many ingredients that have contributed to the current economic turbulence, there are at least three principal and interrelated factors which are of major significance for the development scene.

One, of course, is inflation. Itself the troublesome child of many forces, inflation not only penalizes the poor proportionately more than the rich, and severely erodes the value of Official Development Assistance, but in leading to lower growth rates in the developed nations it threatens to reduce demand for the developing countries' exports, as well as to trigger protectionist tendencies.

The second factor is the sudden surge in the price of petroleum. Though it has contributed to balance-of-payments problems in many nations, it has fallen with the greatest severity on the poorest countries. They possess neither the flexibility of the developed nations to readjust trade and investment, nor the margin to reduce consumption.

And the third factor is the general boom in most other primary commodities. This has clearly benefited some developing countries. But it has also created further difficulties for the poorest nations whose exports simply cannot offset the price increases for fertilizer and food, which, in combination with the increases in oil and manufactured goods, have substantially reduced their terms of trade.

If, then, we survey the development scene as a whole, it is evident that countries with some 20 per cent of the population of the nations we serve have registered a net gain: the oil exporting countries and some of the mineral producers.

For certain other developing countries, representing about 30 per cent of the total population, the long-run outlook is good although they face serious problems of adjustment to the new conditions. Most of them are in the middle and upper income categories of developing nations. They should be able to borrow much of what they need on the world capital markets if the recycling mechanism is designed and managed with their needs in mind. In addition, they will need large sums on intermediate terms and the Bank must expand its programme to help meet this requirement.

But for the poorest of our member countries — countries that represent fully half of the total population of all the nations we serve, countries containing one billion human beings — the situation is desperate.

Almost every element in the current economic situation has worked to their disadvantage, and has been compounded even further for many of them by the natural disasters of flood, drought, and crop failures.

additional assistance

These countries, then, need additional assistance on concessionary terms, and they need it promptly: $3 to $4 billion more per year in the remaining years of the decade.

Can such assistance be mobilized in the current economic environment — an environment in which the real per capita incomes of many of the largest donors have decreased in the past twelve months and in which all traditional donors face inflation, unacceptable unemployment, and uncertain growth prospects?

I believe it can — and I believe it must.

The world has not suddenly lost its wealth. The OPEC countries have gained huge amounts, and the traditionally wealthy nations continue to be wealthy. They are less wealthy than they hoped to be at this time, but they are more wealthy than they were as recently as twenty-four months ago, and immeasurably more wealthy than the nations of the developing world.

What, after all, really constitutes wealth? And what more fundamental measures of wealth are there than the levels of nutrition, literacy and health? It is in these terms that the average citizen of a developed nation enjoys wealth beyond the wildest dreams of the one billion people in the countries with per capita incomes under $200: his caloric intake is 40 per cent greater; his literacy rate is four times higher; the mortality rate of his children is 90 per cent lower; and his own life expectancy 50 per cent more. Are there any more basic terms in which to compare the wealth of the developed and developing nations?

The developed nations, understandably preoccupied with controlling inflation, and searching for structural solutions to their liquidity imbalances, will be tempted to conclude that until these problems are resolved aid considerations must simply be put aside.

aid no luxury

But aid is not a luxury — something affordable when times are easy, and superfluous when times become temporarily troublesome.

It is precisely the opposite. Aid is a continuing social and moral responsibility, and its need now is greater than ever.

It is true that the affluent nations in the face of shortages and inflation, and in order to continue to expand aid, may have to accept for the time being some selective reduction in their already immensely high standard of living. It they have to, they can absorb such inconveniences.

But for the poorest countries such a downward adjustment is a very different matter. For them downward does not mean inconvenience, but appalling deprivation. And for millions of individuals in these countries downward means simply the risk of death.

The problem, then, is not that the developed nations have suddenly lost their capacity to assist those countries most in need. They have not. The amounts of additional financial assistance that would mean the difference between decency and utter degradation for hundreds of millions of the absolute poor are, in relative terms, minute—perhaps two per cent of the increase in real income the developed world can look forward to in the remaining years of the decade.

The basic problem, then, is a philosophical one — a problem of values.

Will 1974 be best remembered as the year when prices exploded? Or will it, perhaps, be better remembered in the longer perspective of history as the year when the word interdependence stopped being rhetoric, and started being reality?

One thing is certain: the development task has not diminished. It has only become more urgent. The responsibility of us all is to get on with it.

Flow of Official Development Assistance Measured as a Per cent of Gross National Product*

	1960	1965	1970	1971	1972	1973	1974	1975	1980†† Required for Case I	1980†† Required for Case II
Australia	.38	.53	.59	.53	.59	.44	.53	.54		
Austria		.11	.07	.07	.08	.13	.13	.13		
Belgium	.88	.60	.46	.50	.55	.51	.56	.62		
Canada	.19	.19	.42	.42	.47	.43	.51	.51		
Denmark	.09	.13	.38	.43	.45	.47	.49	.50		
France	1.38	.76	.66	.66	.67	.58	.55	.51		
Germany	.31	.40	.32	.34	.31	.32	.30	.28		
Italy	.22	.10	.16	.18	.09	.14	.10	.08		
Japan	.24	.27	.23	.23	.21	.25	.24	.24		
Netherlands	.31	.36	.61	.58	.67	.54	.61	.65		
New Zealand**					.23	.27	.36	.47		
Norway	.11	.16	.32	.33	.41	.45	.63	.65		
Portugal	1.45	.59	.67	1.42	1.79	.71	.47	.42		
Sweden	.05	.19	.38	.44	.48	.56	.69	.70		
Switzerland	.04	.09	.15	.11	.21	.15	.15	.15		
United Kingdom	.56	.47	.37	.41	.39	.35	.34	.32		
United States†	.53	.49	.31	.32	.29	.23	.21	.20		
Grand Total										
—ODA (current prices) $millions	4665	5895	6832	7762	8671	9415	10706	11948	16760	24400
—ODA 1973 prices	7660	9069	9346	9976	10059	9415	9391	9452	9259	13480
—GNP (current prices) $billions	898	1340	2010	2218	2550	3100	3530	4100	8200	8200
—ODA as per cent GNP	.52	.44	.34	.35	.34	.30	.30	.29	.20	.30
—ODA Deflator	60.9	65.0	73.1	77.8	86.2	100.0	114.0	126.4	181.0	181.0

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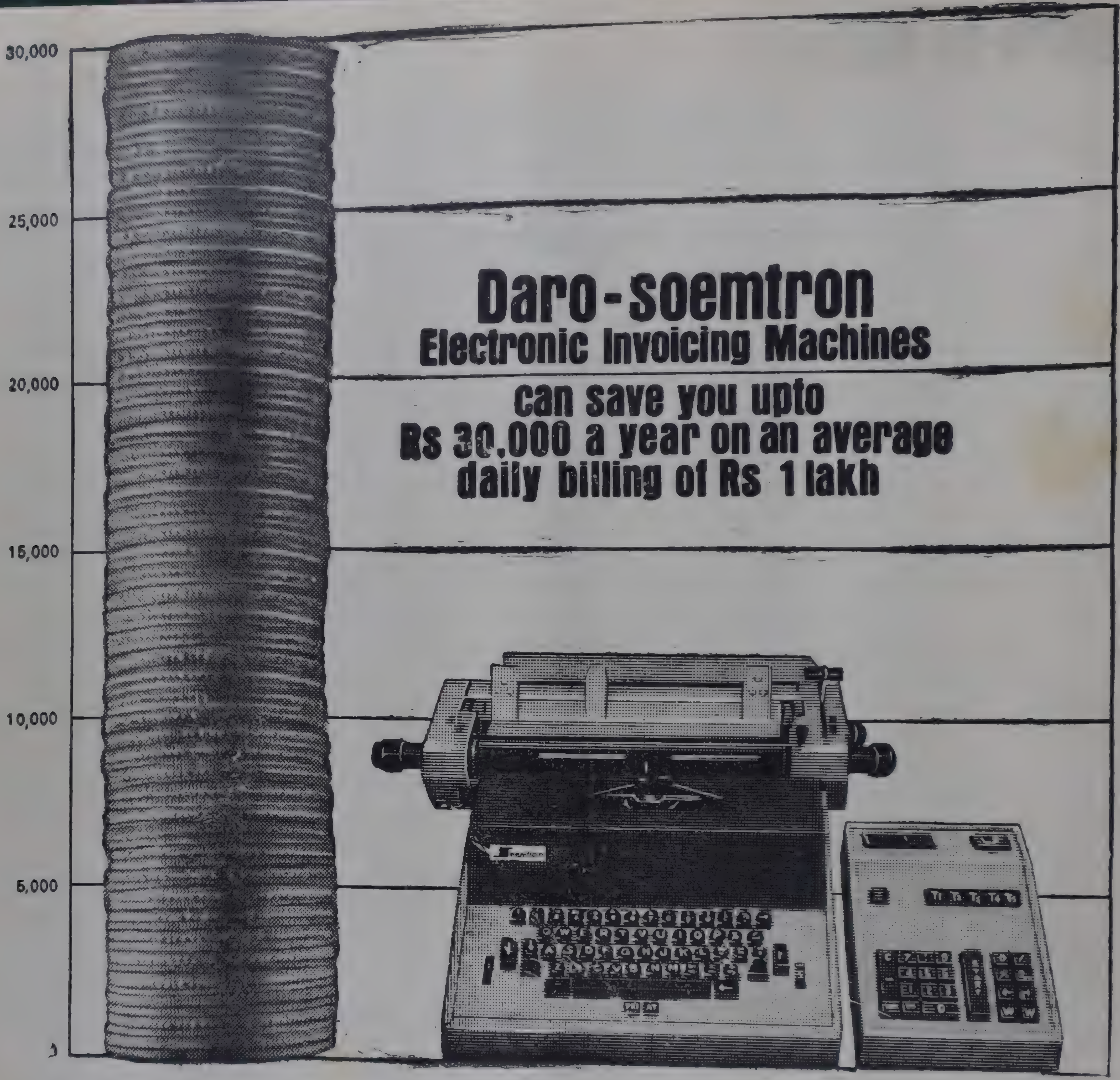
*Countries included are members of OECD Development Assistance Committee, accounting for more than 95 per cent of total Official Development Assistance. Figures for 1973 and earlier years are actual data. The projections for 1974 and 1975 are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative, authorizations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy ODA flows (which by definition represent disbursements) through 1975.

**New Zealand became a member of the DAC only in 1973. ODA figures for New Zealand are not available for 1960-71.

†In 1949, at the beginning of the Marshall Plan, US Official Development Assistance amounted to 2.79 per cent of GNP.

††Case I leading to a minus 0.4 per cent change in GNP per capita per annum in countries with incomes of under $200 per capita would require ODA of $16.7 billion (.20 per cent DAC GNP) in 1980: Case II with 2.1 per cent growth in GNP per capita would require $24.4 billion (.30 per cent of DAC GNP in that year).



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WINDOW ON THE WORLD

Trade unions challenge the state

London

Jossleyn Hennessy

I

Major European Headaches

The European unions have left far behind the classic definition of a trade union as "a continuous association of wage-earners for the purpose of maintaining or improving the condition of their working lives."

In West Germany, pressure from the DGB has forced opposition and coalition parties alike to adopt the far-reaching Vermogenspolitik—the compulsory worker asset formation scheme; in Italy, the unions are now consulted by the government on fundamental economic policy, and have recently decisively influenced regional and industrial investment policies; in the UK, the unions appear to be the most cohesive and aggressive single force in politics: they make and unmake governments. They take less notice of "their man" Harold Wilson, than they did of Edward Heath.

There are about 30 million trade unionists in the EEC, but owing to different political, social and even religious traditions, there is no homogeneous pattern of membership, organisation, power and influence, but international cooperation between trade unions goes back to the end of the last century, and today, most west European unions are affiliated to the International Conference of Free Trade Unions (ICFTU), in Brussels. The French Confederation generale du travail (COT, 2 million members), however, and the Italian Confederazione generale Italiana del lavoro (CGIL, 3½ million members), both the largest groups of unions in their countries are affiliated to the communist World Federation of Trade Unions (WFTU) in Prague, although the Italian group recently loosened its ties with the WFTU by changing from full to associated membership. The European Trade Union Confederation (ETUC) was founded in Brussels in February, 1973, when representatives of trade unions in the EEC and EFTA merged two existing organisations based on the ICFTU. A clandestine Spanish union is also represented in the European Trade Union Cenfederation, and the Italian communist confederation mentioned above is expected eventually to apply for full or associated membership. At present, Irish and Portuguese unions are not affiliated to the ETUC.

With so many governments in western Europe in disarray, and at a time when the prestige and effective power of professional politicians is low, the publication of a detailed account of the trade union movement in the EEC, *Trade Unions in Europe* by Margaret Stewart (Gower Press Ltd., Epping, Essex), is timely.

Industrial democracy, giving workers a bigger say in and control over management of their industrial and working lives, has long been a trade unions aim. In the EEC countries, unions have succeeded, to a greater or lesser degree, in making progress towards their goal. The European Commission brought the issue to the fore with two distinct proposals.

First, the draft statute for a European company was produced in 1970, as a possible blueprint for companies operating as European organisations within the EEC. The proposed statute is not mandatory but suggests that a European company should have three governing bodies: a general meeting (equivalent to a shareholders' meeting), a supervisory board, and a board of management. The supervisory board would exercise overall control over policy and supervise the management board, which would remain responsible for day-to-day administration; two-thirds of the members of the supervisory board would be appointed by the general meeting and the remaining third would consist of workers' representatives, by the company's employees—normally nominated by the works council. This is akin to the West German practice in private industry.

The development of cross-frontier trade union cooperation to counter multinational companies started in the late 1960s and gathered momentum during the early 1970s. Most multinational companies operate in engineering, automobiles, electronics, petroleum, chemicals and food production. Trade unions recognise the economic reasons for the development of worldwide industrial enterprise. A resolution adopted at an ICFTU congress in Brussels in 1969 stated that "the international organisation of production can play an important role in spreading new technical know-how and in giving an impetus to economic growth and social progress". Trade unions, however, insist that they should be able to safeguard the interests of (a) the workers within the company, (b) the general public, and they call on governments to scrutinise all proposals for takeovers.

II

Union Fears and Aims

The ICFTU has identified several grounds for union fears. Multinational corporations could pose a new challenge by: (1) Jeopardising democratic national planning in individual countries. (2) Undermining local systems of industrial relations—since decision-making is centralised in one place. (3) Arbitrarily transferring resources from one country to another. (4) Adopting anti-union policies and limiting the right of collective bargaining. (5) Exploiting international labour cost differentials in order to increase profits.

The ICFTU therefore called on workers to unite to demand the right of union recognition and collective bargaining, in line with ILO conventions. It urged public authorities to ensure that national economic and social needs be safeguarded, and it emphasised the need for democratic control and accountability at each level of decision-making.

a common strategy

In 1973, an ICFTU working party on multinational companies agreed to seek a common international strategy and stressed the importance of research to cover questions, such as:

(1) The effect of multinational companies on the economy of developing countries and on employment. (2) The problem of securing a greater measure of industrial democracy. (3) The legal aspects of trade union action across frontiers. (4) An international code of conduct. (5) A blacklist of persistant anti-union companies.

The practical problem facing trade union negotiators is that when they deal with the top management of a national company, they meet face-to-face round the negotiating table, thrash out their problems and probably arrive at an immediate decision, but when they deal with the subsidiary of a multinational company, they are not talking to the final authority—decisions are taken elsewhere and the local manager may be as ignorant of the company's long-term strategy as the trade unionist. If a union threatens industrial action, the company can switch production to another plant, build up stockpiles or even threaten to close down and move to an area where the labour force is more amenable.

This may not always be feasible, but the threat is real. A multinational management can select its most advantageous industrial location and build up investment in the areas which it regards as most favourable. Unions can usually find out a certain amount about the plans of a national company, but with multinationals, knowledge resides with the central management and the unions are in the dark about future plans, particularly with the large motor corporations such as Ford and General Motors, where major investment decisions are taken on the other side of the Atlantic.

There is scope for bilateral action between unions representing workers in the same company. Thus, in 1967, the American United Automobile Workers secured wage parity for the Canadian and American employees of Chrysler, and in 1969, during a strike at Ford's Belgian plant at Genk, near the West German border, West German workers refused to be used as substitute labour or to allow work from Belgium to be switched to West Germany. Shop stewards of Dunlop-Pirelli in Italy and Britain recently took joint action over threatened redundancies.

The main channels for international union cooperation are the international trades secretariats. A TUC report summarised their activities thus:

(1) Research and the collection of information. (2) Internal organisation of unions in standing bodies representing employees working for the same company. (3) International solidarity and aid, financial support for unions in dispute. (4) Multinational consultation with managements over a wide range of issues other than collective bargaining, including advance warning of plans to transfer production. (5) Synchronisation of the timing of claims and common termination dates of existing and future collective agreements in the subsidiaries concerned. (6) Coordination of industrial action. (7) Harmonisation of collective bargaining aims, other than wages. (8) Harmonisation of collective bargaining on wages. (9) Presentation of internationally agreed demands to multinational companies as a whole and coordination of tactics to realise these.

the pace maker

The largest and most powerful international trade union secretariat, the International Metalworkers Federation (IMF), has been the pace maker. As long ago as 1964 it organised conferences, on the initiative of the late Walter Reuther, president of the UAW (United Auto, Aircraft and Agricultural Implements Workers of America), which led to world autoworkers councils, set up for Ford, General Motors, Chrysler, Volkswagen, Fiat-Citroen in 1966 and for Nisson-Toyota, BLMS-Renault-Volvo in 1968. These councils act as a clearing-house for information and cooperation to bring pressure on the companies. The IMF, based in Geneva, has built up a dossier of research into wages and working conditions in car plants all over the world. It is particularly concerned about operations in the developing countries of Latin America and Asia, and in low-wages areas, and countries such as Spain where there are no democratic trade unions.

Union pressure has been successfully brought to bear on subsidiaries in developing countries, for example, Argentina and Chile, to win union recognition and the right of collective bargaining.

Mr Daniel Benedict, Assistant General Secretary of the IMF, stated: "The challenge of multinational companies has led to the first new structural adaptation of international trade unionism for decades; the formation of world councils or working parties of workers in specific companies around the globe."

For Europe, there is a separate body —the European Metalworkers Federation (EMF). It is not a regional branch of the IMF, though the two organisations work in close association. The EMF, which operates exclusively within the EEC countries, defines its three main tasks as:

(1) Common action of all metalworkers in the EEC. (2) To represent their interests within the EEC. (3) To negotiate with European employers and with the head offices of multinational companies operating in the EEC.

The EMF has made most progress in its discussions with the Philips electrical concern at Eindhovan, Holland. Regular meetings have been held since 1967 and a council formed which meets once a year. The Philips management has accepted the unions' right to discuss matters of common interest affecting its European operations such as company policy on personnel, profits, etc.; to provide the unions with information and give advance warning about plans affecting future employment prospects.

Talks have covered e.g. shift working and job security, training and retraining policies on wages and working conditions, harmonisation of fringe benefits, coordination of social welfare plans as well as the general economic and financial situation.

III

International Collective Bargaining

As yet, international collective bargaining has not been reached, but the Philips' example of consultation and information-giving provides a pattern for relations between a multinational company and trade unions.

The EMF has also had discussions

with Metal Packaging, Fokker/VFW (the West German-Dutch aircraft company), Fiat, Citroen-Berliet and Airbus-Concorde groups. The essence of its operations is speed in identifying disputed points and arranging for information to be sent to workers' representatives affected by the outcome of the talks.

multinational problems

Apart from the activities of the International Federation of Chemical and General Workers' Unions, other international trade secretariats have also been concerned with multinational problems. The International Federation of Commercial Clerical and Technical Employees (FIET) has had talks with IBM and has collected information around the world about comparative conditions, salaries, and profits in different international companies, which has been circulated to affiliates as an aid to negotiation.

The International Union of Food and Allied Workers' Associations (IUF) has organised conference for workers employed by multinational concerns, e.g., a conference of Nestle employees held in May, 1972, set up a permanent council of Nestle workers. According to the IUF, the company agreed to consider the IUF as a bona fide representative of its employees at the international level and gave "certain assurances concerning its general labour policies and agreed in principle to see that its subsidiaries would follow general guidelines". The IUF intervened in a dispute over union recognition involving Nestle's subsidiary in Peru in 1973. Many unions sent financial aid and the strike was settled when the management agreed to recognise the unions.

The IUF has set up a world council for the W.R. Grace and Company — food and chemical concern — but the company has declined to divulge information about its future plans for plant closures. The IUF has also had dealings with the International Sleeping-Car and Tourist Company, British American Tobacco and Coco-Cola, and in June, 1973, established an international council of Unilever workers.

Collective international action vis-a-vis multinational companies is still in an embryonic stage and there is, as yet, no sign of firm progress towards multinational collective bargaining, but this is the unions' long-term aim.

Dr Patrick Hillery, a vice-president of the European Commission, told the European parliament in January that the Commission could act as "a clearinghouse for collective agreements throughout Europe and the conclusion of European collective agreements would be considered".

The employers' view is that international collective bargaining cannot be realistic, owing to the wide differences in conditions and practices and the absence of any legalistic framework.

A fundamental difficulty is the difference in trade union structures and attitudes. The workers tend to think nationally rather than internationally and national unions are jealous of their independence. Workers are reluctant to become involved in disputes in other countries and there are real fears about job security. For example, leaders of British shipyard workers have expressed alarm about Fiat's reported plans to build a big marine engine plant at Trieste, which might endanger jobs in UK yards. In view of these attitudes, it is all the more remarkable that so much progress towards genuine international union cooperation has been achieved.

IV

Equal Pay for Women

Women represent over half the total population of the EEC countries. The proportion who are actively employed, however, varies: it is highest (39.4 per cent) in Denmark, and lowest (23.0 per cent) in the Netherlands. Most working women tend to be employed in the tertiary (services) sector. When they are in industry, they are mainly in textiles, clothing, food, and light electrical engineering.

The Treaty of Rome (Article 119) lays down 'that men and women should receive equal pay for equal work'. This principle is binding on member states, as is the ILO convention on equal pay, but there is still a gap between men's and women's earnings although this has been progressively narrowed through collective bargaining.

This table is taken from a report on equal pay by the Office of Manpower Economics (August 1972).

Average Hourly Earnings of Women as a Percentage of Male Average Hourly Earnings

	1964	1971
France	76	77
West Germany	69	70
Italy	70	76
Belgium	65	68
Luxemburg	45	56
Netherlands	56	61
UK	57	59

An EEC report concluded that Article 119 remained "a dead letter" in many countries. The situation has improved since the publication of the report (1968) though full statistics are not available. A report in December, 1972, referred to "the irrefutable progress made in the field of wage equality. Although undeniable progress has been made the situation is nevertheless still far from satisfactory. It therefore becomes essential that....a decisive impetus should be given to the search for a solution to this problem".

In most European countries, though not in the UK, there is a minimum legal wage which is the same for men and women. It is in opportunity for earnings that inequalities arise and it is primarily through collective bargaining that progress will be made. In Belgium, most women are protected by collective agreements, but in the Netherlands the proportion is as low as 20-25 per cent, and the basic wage is still lower for women than for men.

Direct discrimination is diminishing, but indirect discrimination persists by reserving special job categories for women and by under-rating of women in general.

Women tend to be concentrated in lower paid industries and jobs were they lack opportunity to improve their skills. The disparity in skill is shown by the proportion of men and women classified in manufacturing industry in the original six EEC countries.

widest gap

A Commission report showed that the gap was widest in West Germany, where 49.3 per cent of men were classified as skilled, but only 5.3 per cent of women. In Belgium, however, the respective percentages were 36.7 and 16.0, and in Italy 44.3 and 18.2.

Most EEC countries have some form of equal pay legislation or have built into their constitutions guarantees against discrimination on the grounds of sex. Only the Netherlands does not provide specific guarantees through legislation or its constitution, but there is no discrimination in its minimum wage legislation and in an increasing number of collective agreements. The law is evaded in many member states. The Commission decided in 1973 to take action against the Netherlands and Luxemburg for their failure to observe EEC regulations.

Most progress towards single classification schemes, irrespective of sex, has been made in Belgium, Italy and France. West German unions maintain that the lowest categories are still reserved for women. The employers dispute this. In some companies, e.g. Philips, equality has been encouraged by reducing the number of categories.

In France, the CFDT consider that too much importance is attached in job classification to male qualities, e.g. strength, and not enough to female qualities, e. g. dexterity. The CGT figures show total women workers as just under six million in 1972. There was a gap of 23.3 per cent between the salaries of men and women white-colour workers and 30.3 per cent between the wages of men and women manual workers.

In Britain, as in all EEC countries, pressure continues from the trade unions not only to close the gap, but to provide greater equality of opportunity, for women, in all fields.

In its social plan, the EEC Commission is to set up a permanent coordinating committee, on such questions as access to employment, promotion, training and retraining, maternity leave, child care facilities, working hours and social security provisions. This would form the basis for commission proposals to the council of ministers.

That in all EEC countries the proportion of women who belong to trade unions is low increases the difficulty of making towards equality and insuring that they are not exploited.

Sources and acknowledgements: The foregoing summarises, by special arrangement, a report in the latest issue of *Economic Trends* published quarterly to subscribers only, by the Economist Intelligence Unit (27 St. James's Place, London SWIA: INT). This EIU report was an extract from *Trade Unions in Europe* by Margaret Stewart, published at £9.80 by the Gower Press, Epping Essex, England. The EIU is, of course, responsible neither for the emphasis of my summary nor for my interspersed comments.

Europe worries about Ford in its future

Vienna

E. B. Brook

THE FLUTTER of meetings in the United States and west Europe these days is a very good illustration of the mood of anxious uncertainty in which the industrialized world and the major farming states find themselves. In the USA President Ford risks the confusion associated with a multitude of counsel as he confers in the White House with more than 100 economic and financial experts over the problems of inflation; at Camp David the much-travelled foreign and finance ministers meet at an "unstructured" session to discuss again very much the same subject and to seek some solidarity on the difficulty of financing oil prices before hurrying off to meet again in Luxemburg to see what can be done to restore the Common Market's agricultural policy after West Germany's refusal to go along with the idea of paying farmers five per cent more for their produce. The overall picture is of indecision and disagreement among the western partners and of mixed concern and anger over oil prices which look like rising again gradually from the beginning of next year. President Ford's address to the world energy conference in Detroit over oil prices, when he threatened counter measures over food supplies, has been so widely taken in the USA and Europe as a form of declaration of war over oil prices that the White House felt obliged "to set the record straight on oil" by disclaiming "anything remotely belligerent" in Ford's approach to the supply and price of oil.

On the problem of oil supplies and prices there is a wide gap between the American approach, with its undeniable element of pressure, and that of the major Common Market states. France, in particular, favours a new form of commercial and financial cooperation with the oil-producing states, especially with the Arabs, and West Germany is quietly accepting Iran as a partner in some of its largest domestic heavy industries.

Similarly, outside the Market, Austria is cooperating with Iran over steel production there. No one in—western or eastern—Europe wants to pick anything approaching a quarrel with the oil producers; there is increasing realization that cooperation, even some form of partnership, between producers and users is essential ultimately to both sides and promises a smooth means of bringing the vast sums of money being paid by the west to the middle-east back into some degree of circulation in the western industrial markets. Europe is at present more concerned that an over-simplistic and possibly hectoring approach by the USA should not spoil the relations between producer and user of industrial fuels than over the horrific sums they are having to spend to buy the fuel.

A start has been made in an oil-sharing accord between 12 major industrial states—excluding France, which prefers its own solutions—to avoid a beggar-my-neighbour approach to oil supplies. The accord basically commits the 12 states which signed the agreement in Brussels to share available oil supplies and imposes mandatory restraints on consumption during an emergency. They undertake, also, to develop a common level of reserve oil stocks that would enable each state to function without oil imports for 60 days —this reserve being built up to a 90-days supply by July 1 next.

While this has the appearance of wise oil-husbandry it does little to solve the problem of oil prices and nothing to promote the cooperation between oil producers and users which appears the wisest course. At present either party can operate to the disadvantage of the other in a dangerous field of nations' livelihood: the oil-sharing accord of Brussels does nothing more than enable the users to hold out sparingly a little longer; it could be described as a measure of siege if matters came to a crunch. The battle over oil prices has, in the meantime, been carried on in speeches by President Ford in Detriot and the Shah of Iran in Canberra during his visit to Australia. Ford's demand for reduced oil prices—to which Saudi Arabia appears willing to listen—was rejected by the Shah, the chief exponent of high oil prices, who called on the industrial nations to cut the prices of their exports first. The oil-producers' case for raising prices in the first instance and ever since is the unfortunate fact that inflation is making the value of the money paid for their oil steadily less so that what appears to the west as an immense sum appears to the receiver as a steadily less valuable payment for goods supplied. In such a situation reasonableness and cooperation must surely be a wiser road than one of hostile caution and implied threat. The Americans deny the existence of a "spirit of confrontation" but the oil-suppliers see one very clearly and the anxious Europeans sense it scarcely less.

The Americans, paying high domestic prices and high taxes, realize that while they pay more for oil to run their industries they have a domestic inflation which cannot be brought under control without some degree of hardship. At the same time they have to lend heavily to help Italy and are likely, unwillingly, to give the Soviet Union the "most favoured nation" treatment it has sought so long. These circumstances do not make their mood easier especially, as they rapidly develop their North Slope oil fields in Alaska, they feel that in few years they may be able to tell the Arabs and Iranians they do not need so much oil. Similarly, the British are pinning their hopes, as do the Norwegians, on North Sea oil only six years away. Both see the middle-east advantage as a short-term problem.

This is not the case with the French or W. Germans or any other member of the Common Market. Six years may be a short time for the Americans but it is a worryingly long time for the much smaller European states whose main oil alternative to the middle-east is not Alaskan or even North Sea oil but Russian—largely undeveloped and certain to be very expensive. Russia has shown its hand already by pushing up its charges for not only oil but natural gas it supplies westwards. Partly for this reason the continental attitude to the oil problem is basically different to that of either the Americans or the British.

What concerns Europe, as it struggles to fix a farm prices policy which will partly satisfy its farmers without overtaxing the W. Germans or leading the French to introduce financial supports which contradict Market principles, is to make a better working arrangement with present oil suppliers and above all, to bring some of the money they are paying for oil back into circulation in European industry and commerce. Faced with liquidity problems of great gravity as more and more cash moves to the Arabs and Iranians the west European banking community is regrouping itself into biggeer, more powerful and more competitive units. Morgan Grenfell, the big British merchant bank is working closely with France's Cie. Financiere du Suez, a major banking group, with the purpose of taking an equity share in each other's operation. In W. Germany, Citicorp, the bank holding company which owns First National City Bank New York, has increased its stake in Trinkhaus & Burkhardt, West Germany's largest private bank. These banks have a strong foot in the Euromarket which is particularly attractive to middle-east official investors and plan enlarged merchant banking services in Singapore and Hong Kong. All the banks have strong ties in the middle-east, particularly in Dubai and Oman, and work closely with the central bank of Iran.

Similarly, Luxemburg, one of the major Euromarket centres, is setting up a liquidity bank to assure the 80 banks operating in the Grand Duchy and those who do business with them—including both Arab states and Israeli—that cash will be available to any bank suffering a liquidity squeeze. West Europe, after a few frights such as the collapse in June of Bankhaus Herstatt in Cologne, realize that only really big bank groups can now always be sure of having access to as much cash as they need and that, without this assurance, the middle-east will keep its money at home. The W. Germans go farther with this idea in seeking the creation of an international liquidity bank comprising all central banks and all major banks in the Euromarket. Europe's idea is to offer security for Arab money, a delicate gamble on Arab confidence.

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It is quite some time since the prime minister held a press conference in the capital. In spite of this she chose, strangely enough, the government's mouthpiece, All India Radio, for doing some loud thinking on the situation in the country. This interview, which was broadcast on October 1, however, found Mrs Gandhi making statements which were not merely silly but downright stupid. In the circumstances it was perhaps a mercy that the journalists' corps in New Delhi was spared a press conference. Take for instance her threat to deal with farmers and the food trade in the same manner in which she is dealing with the big smugglers. I am aware that she spoke of big farmers or big traders sitting on stocks of grain and refusing to sell it to the public, but even such information as is being fed to her about the food situation in the country ought to have acquainted her with the fact that such grain as is being withheld by farmers or even traders, because of their dissatisfaction with official prices, is being held mainly in small and scattered amounts by tens of thousands of farmers or thousands of petty traders.

In these circumstances only totalitarian control of agriculture, backed wholeheartedly by the police power of the state, could hope to force out the last quintal of grain from the farming community. While it is true that hoarding and profiteering in food grains or other essential commodities must be dealt with through the effective enforcement of the ordinary law of the land, it is quite unrealistic on the part of the prime minister to talk of the farmers and the smugglers in one and the same breath. At the least it ought to have struck Mrs Gandhi that, whereas smugglers cannot successfully protest against the government's anti-smuggling operations by threatening to forswear smuggling, farmers could refuse to grow more grain or traders refuse to deal in this commodity if prices fixed by official edict seem to them to be uneconomic or intrinsically unfair. It is a measure of the bankruptcy of the government's food policy that the prime minister finds herself with nothing better to do than breathe fire and brimstone at the farming community.

In another part of the interview Mrs Gandhi said that her government was trying to import food grains in order to tide over the lean period through which the country was passing. Considering the extent to which the scarcity of food grains has affected large numbers of people in various parts of the country, this information is not reassuring enough. What the country needs to know is whether the imports will be of an order sufficient to prevent a further excessive rise in food prices besides helping the country to cope with famine or near-famine conditions in some areas. According to non-official estimates imports of up to six million tonnes would be required for the government to get a grip on the food situation. It may be that the ministry of Food and Agriculture, or the government as a whole, may not wish to endorse this estimate publicly, but it is highly unlikely that its own assessment can genuinely favour a much lower figure for our country's minimum import needs. The question therefore is how much the government is actually seeking to import. If the quantity it has in view is anywhere near what the country needs to import, the government will have no reason for not giving it due publicity. By the same token if the government persists in following a 'hush hush' policy in this matter, the suspicion will grow that the government does not see its way to importing anything like the quantity it must if the food situation is to be brought under control.

From this point of view it is extremely unfortunate that New Delhi should persist in allowing considerations of false prestige coming in the way of its laying its food cards on the table when talking to the US government on this subject. It is even more unfortunate that, in her interview to AIR, the prime minister should have chosen to mix up India's effort to obtain food imports, much of it on concessionary terms, with her government's desire to champion the claim of all hungry countries for international food aid. Surely it is not unreasonable to suggest that the prime concern of Mrs Gandhi's government should be with the hunger and starvation that thousands of people in our own country are now having to struggle against. This is not to argue that we need not care what happens to Bangladesh, but the plain fact is that, whereas Bangladesh and other similarly food-needy countries, including certain African nations, are in a position to evoke and enlist international sympathy on the straight basis of their obvious vulnerability, India, thanks to its government's own policies, is clearly in the position of having to argue painstakingly for international recognition of its deserts. In other words, whereas international humanitarian sentiment could largely be depended upon to come to the rescue of countries such as Bangladesh, in India's case its own government has succeeded in making food a matter of international politics.

Who is the true hero (or heroine) of the anti-smuggling crusade? Is he Mr K. R. Ganesh as he is out to make out? Or, is he Mr Jayaprakash Narayan, as Mr Ajit Bhattacharjea of *The Times of India* argues? Or, is the heroine Mrs Indira Gandhi herself as the prime minister's secretariat has claimed? Mr Ganesh of course could point to the fact that he had been not only the first but also the only one among the ministers to force the issue by naming in parliament the three alleged godfathers of the racket, besides complaining publicly that something more than the ordinary law of the land was needed to break the racket since it was enjoying bureaucratic protection and political patronage. On this basis Mr Ganesh certainly may be allowed to have played more than a bit part in the drama. But, then, a minister of state in the department of Revenue and Expenditure in the ministry of Finance clearly does not have either enough ministrial authority or sufficient political muscle to force a major change in the policy of the government especially where high politics are involved. On this reading, Mr Ganesh, at best, might have only jumped the cue, in which case his share of the credit must necessarily be limited to a modest percentage.

As for Mr Jayaprakash Narayan, while I dare not compete with Mr Ajit Bhattacharjea in the matter of *punditry* over the *sarvodaya* leader and his movement, I would venture to point out that what seems to be agitating Mr Jayaprakash Narayan primarily is political graft and administrative corruption. So far as the MISA assault on the smugglers is concerned, it is yet to be shown that political patronage or bureaucratic collusion with the racket is also among the targets. On the contrary, there is already widespread suspicion in the land that the current anti-smuggling operations may only be a very oozy red herring. In the circumstances it is quite possible that Mr Bhattacharjea has been rather premature in congratulating Mr Jayaprakash Narayan and his movement (with or without including himelf).

Remains Mrs Gandhi. Despite my basic inclination to look askance at any attempt on the part of the prime minister's secretariat at image-building, I am tempted to give her full credit for initiating and masterminding this anti-smuggling business. This is because I have been flattering myself that I know exactly why she nationalized the 14 largest commercial banks. She did so at a time when she badly needed to impress her personality on the ruling party and the central government by making a massive political impact on public emotions and sentiments if not public opinion. It so happened that the government takeover of the big banks, in the situation then prevailing, could admirably serve this purpose. The intention was to make it appear that something great was being done against the rich and the powerful so that the common man might come into his own. Bank nationalization, in other words, could be sold to the stone masons, *tangawalas*, taxi drivers and *panwalas* as starting with *amiri hatao* and leading to *garibi hatao*.

It was five years ago when all this happened and five years are a long period in politics, especially when general elections have to be held every five years, or are occasionally held earlier. It is quite apparent that right now Mrs Gandhi urgently needs to blow wind into her political sails. The heroics of the application of the MISA to smugglers and smuggling have the advantage of helping to create an impression in the country that something very significant is being done by the prime minister to cope with the economic crisis. On the previous occasion, when 14 banks were nationalized, it was so very easy to picture and pillory the big bad barons of banking as the cause of the stagnation of the small farmer or the backwardness of the small businessman. Today it helps the ruling party, evidently, to present the predatory activities of Haji Mastan and company as a considerable cause of inflation. Mr Madhu Limaye seems to believe that the anti-smuggling operations are an indication that a general election is round the corner. He may be right, but my own feeling is that, early election or no early election, Mrs Gandhi's popularity and public image are right now such that they could do with quite a few stage props.

In the course of a disarming passage in her AIR interview, the prime minister called upon her countrymen (and, I suppose, countrywomen) to face the food situation in a spirit of challenge and of common sharing of what was available and added thoughtfully that the "children, of course, must have the first priority" — an admonition which clearly has tremendous contemporary significance in view of the pictures of famished children in drought-hit areas which are being published in newspapers and periodicals at home as well as abroad. Mrs Gandhi emphasized, naturally, the need for the avoidance of conspicuous consumption of food in restaurants and eating places and at public or semi-public functions. There is no need to doubt her sincerity in this matter if only because even the state dinner given to the Shahanshah and Shahbanou of Iran by the president at Rashtrapati Bhavan, although described in the press as a glittering affair, had its diners' list confined to the legitimate limit of one hundred.

Nevertheless, it may not be wholly beside the point to refer here to another dinner held in the first week of last month at the public sector hotel on Janpath when the guest list exceeded one hundred by about 60 per cent or so. It may not be out of place either to recall that this particular dinner party, which was in honour of the vice-president of India, had the advantage of engaging the special personal exertions of the minister of state in the ministry of Tourism and Civil Aviation who of course has the run of public sector hotels by virtue of her official position. After all this it is perhaps slightly superfluous to give my readers the additional information that the dinner guests on this occasion were not exactly treated to soya bread and Delhi tap water but I must certainly mention in fairness to all concerned that participation in this celebration was not confined to politicians of the ruling party.

The prime minister's own personal concern for austerity in food or other things need not however be questioned unduly. After all, did she not spend so much time and thought on ensuring that her second son's wedding was celebrated in the simplest fashion possible? It is true of course that newspapers spoke of the delightful "Kashmiri custom" of the bride's feet being washed with milk as she stepped into her new home as wife and daughter-in-law. But one should not surely cavil at a little milk being spilt in a historic cause, for it would certainly be a good idea for this incident to be inscribed on a scroll and buried in a time capsule on the grounds of No. 1, Safdarjung Road. Future historians, reconstructing the economy of India during the reign of prime minister Indira Gandhi, might thus be enabled to deduce that this land was flowing with milk, if not honey, in this period.

I last saw Krishna Menon in the Lok Sabha on the day Mr Y.B. Chavan presented the supplementary budget for the current year. As the Finance minister sat down after the ritual, Menon agonisingly struggled to his feet and, assisted by one of the Lok Sabha attendants, slowly, very slowly, went out. I remember wondering at the time why this ailing, old man had bothered to be there at all. Perhaps what had taken him, or indeed, dragged him, to the Lok Sabha on that day was his old-fashioned sense of duty. A member of parliament, he must have thought, owed an obligation to his constituency and to himself to be present in the house on important parliamentary or legislative occasions.

Referring to Krishna Menon's passing away, the prime minister said that a volcano had become extinct. This was imprecise. Krishna Menon's effective retirement from politics and public life had taken place twelve years before his death. It was not death which extinguished him but the circumstances and compulsions of the politics of those times, when he had to bow out as Defence minister. Even if Nehru had desired to bring him back into the cabinet, he could not have done so; and it was plain enough that Nehru's daughter never had an idea of re-activating Krishna Menon in the government of the country. For a man who had been so close to the centre of the New Delhi stage so conspicuously and for so long, failing health therefore could not have been the only cross to bear as he merely watched from the wings and waited and waited — waiting for nothing until Nothing came in its appointed course. And yet it ought to be difficult for us to forget Krishna Menon. Though he owed so much to Nehru for all of his political sustenance, Menon still made a remarkably virile contribution to the performance of the government during the years he was a member of the cabinet. That he helped to make India self-reliant in its foreign policy might be a claim which would certainly be disputed; what cannot be challenged is the tough self-reliance he initiated and built into the nation's defence production. He could have done more than he did and would have done it better as well had it not been that he understood economics less than he understood politics and understood men even less than he understood economics.

VB

TRADE WINDS

Oil Facility

WHILE ADDRESSING a press conference recently in Washington, Mr Y.B. Chavan, union Finance minister, indicated this country's willingness to avail of the oil facility created by the International Monetary Fund to extend assistance to countries affected by the increased costs in the import of oil. He, however, made it clear at the Fund-Bank meeting on September 30, that the facility did not meet fully the needs of the situation. He added that it did not provide adequate additionality in terms of resources nor was it for a substantially longer period than normal drawings. Above all, it was a matter of concern that the facility had been made highly conditional.

India intends to borrow $ 200 millions from the oil facility of the IMF to meet the rising import bill. Its entitlement is to draw upto 504 million SDR appoximately $ 600 million.

International Monetary Fund Survey of September 30, 1974 reveals that the Fund's executive directors have reviewed the operations of the oil facility recently, as required in their decision establishing the facility, and they have decided to increase the amounts for which members can apply under the facility for 1974. Purchases are now permitted in excess of the 35 per cent of a member's originally computed maximum access for 1974. As a result of the review, the oil price increase used in the formula until mid-September was modified to reflect an up-to-date assessment of the increase in the global price of oil from 1973 to 1974. Also, the base period volumes of net oil imports (imports less exports of both crude oil and refined oil products), which previously were those for 1972, were adjusted upward for each country whose rate of increase in net oil imports from 1972 to 1973 exceeded the median rate of increase. The other two features of the formula were retained without change: (1) 10 per cent of a country's net reserves (reserves adjusted for a measure of export variability) are deducted from the computed increase in oil import costs; and (2) the result of the formula is subject to a ceiling of 75 per cent of the member's quota in the Fund,

By September 6, nine countries had made purchases under the facility totalling the equivalent of SDR 142.60 million. [*Eastern Economist* dated October 4, 1974, page 661]. Since then, nine additional countries have made purchases totalling the equivalent of SDR 383.97 million. Purchases by a number of other countries are in various stages of action. Of course, the new figures governing access to the facility for 1974 apply to all countries irrespective of whether they have made purchases, or requested purchases, up to the end of September, 1974. For each of the 18 countries that have completed purchases, access for 1974 substantially now exceeds the purchases already made. The executive directors have agreed to meet by December 31, 1974, in order to decide whether or on what terms to permit purchases with respect to the impact of the cost of oil imports on balances of payments in 1975.

New Import Policy

The import policy for actual users for the maintenance imports for the second half of the current licensing period April 1974-March 1975 is a continuation of the policy adopted during the first half of the year. Industries other than small-scale will be granted import licences for raw materials, components and spares on the same basis as obtained during the first half of the current licensing period having regard to the availability of foreign exchange and the importance of user industries to the national economy as also the needs of export production.

As already laid down in the "Red Book" for April 1974-March 1975, small scale units will have to apply for licences for import of raw materials, components and spares for their annual entitlement for the year April 1974-March 1975 and import licences will be issued to them for the value after adjustment of the value obtained by them under the facility of "repeat operation" which was specially authorised for the first half year. Also, in the case of small-scale units, the licensing against UK credit will be comparatively little more with corresponding reduction in the entitlement for imports from Rupee payment countries. The licensing under General Currency Area and the modes of financing for exporting units will be the same as hitherto. Applications for import licences for the second half of the year should be made by March 31, 1975.

Procurement Price of Paddy

According to an official announcement, the procurement price of rice has been fixed at Rs 74 per quintal as recommended by the Agricultural Prices Commission (APC). The present policy of free movement of coarse grains would continue. It has also been decided to impose levy on producers. The official announcement which came after a thorough consideration of the APC report on the price policy for kharif cereals and the views expressed by the chief ministers and the food minister at a conference on September 14 provided for the continuance of the incentive bonus scheme. It is proposed to provide for additional incentive in this scheme to states which procure the major part of the marketable surplus for central pool. But no details of this scheme were made available.

The government has, however, allowed an increase from Rs 2 to Rs 4 in the price of coarse grains. As against the uniform price of Rs 70 per quintal in the case of jowar, maize and ragi during the previous kharif season, the new price has been fixed at Rs 74. In the case of bajra, the price has been raised from Rs 72 to Rs 74 per quintal.

The official notification issued here states that paddy and rice will be grouped in three varieties — coarse, medium and fine. The procurement price of coarse variety in different states and union territories will be Rs 74 per quintal. Prices of other varieties are proposed to be fixed keeping in view the existing varietal difference in their prices. The government has decided to continue with the existing paddy and rice zones. The system of procurement in each state would be strengthened and made more effective with a view to maximising procurement. The announcement stated that the issue prices of rice will be suitably adjusted keeping in view the revised prices. Similarly the issue price of coarse grains would be adjusted after the revision in procurement prices.

Soviet Assistance for Copper Project

The Soviet Union has offered to supply earth-moving equipment to enable India undertake in the next few months, initial development of the Malanjkhand copper project in Madhya Pradesh. When fully developed, the project will prove to be a major copper complex in the country. An expert team from the project has just returned after signing a protocol detailing the elabo-

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rate design criteria for the development of the project with a Soviet consortium.

The protocol contains an interim report on initial development of the mine, which would lead to production of about one million tonnes of ore, yielding about 10,000 tonnes of copper in four years time. The whole project envisages the production of two to three million tonnes of copper ore to yield about 25,000 tonnes of copper a year.

The project, estimated to contain reserves to last 30 years, was first located in Balaghat district of Madhya Pradesh during 1969-70. A Soviet consortium was entrusted with the task of preparing a detailed project report. The contract with the consortium provided for Indian experts being associated with the preparation of the project report.

Indian experts visited the Soviet Union several times and had discussions with Soviet experts on the process of designing. In the meantime, samples of the ore were also sent to Leningrad Institute of Ore. Test results of these samples made available by Soviet experts partly, according to Indian sources, showed similarity with the results of the tests carried out by the National Metallurgical Laboratory in Jamshedpur.

The Soviet consortium is to present the detailed project report by December this year and that of the full complex, including the beneficiation plant, by September 1975.

Soviet Wool Delegation

The Russian delegation which is to place orders for woollen knitwears and other commodities for the next year, is expected to arrive in Delhi by the middle of October. Members of this delegation are likely to visit Ludhiana for a day. Hosiery exporters from Ludhiana have sent their samples of woollen knitwears to the USSR Trade Representation at Delhi, out of which the delegation members will select units for placing orders. It is learnt that these orders will be to the tune of about Rs 16 crores. Russia is the biggest buyer of woollen hosiery from India. During the past one decade, her purchases have shot up from Rs 60 lakhs to the present Rs 16 crores.

Accent on Production

Mr K.K. Birla, President of Federation of Indian Chambers of Commerce & Industry, (FICCI), while endorsing the prime minister's statement that even though the economic situation was indeed extremely difficult we should not give way to alarm, appealed to businessmen and business organisations to do everything in their power to ameliorate the conditions of people in drought and flood affected areas. They must donate generously to the special or general Funds constituted in this regard by the state governments, or to the well established private institutions which were engaged in relief work, or to directly undertake such relief work themselves, Mr Birla advised. He said that he would like to take this opportunity to recall to the businessmen that they occupied a pivotal position in the economic life of the nation. He expressed confidence that a very good part of the trade would live up to the expectations of government and the people in respect of improving the distribution system so that essential articles of a right quality and at reasonable prices were made available to the consumers.

At the same time, Mr Birla added, the consumers too have to exercise restraint in their purchase and stocking policy. A kilo more of foodgrains, of sugar, or of oil in the hands of millions of consumers would add up to a sizeable quantity and upset the market mechanism which was already afflicted by shortages, Mr Birla observed. He also appealed to the authorities both at the centre and the states to have a "solid" plan to assist the productive forces to increase production of essential goods so that there would be surpluses in the market, and this would mean that the philosophy of scarcity must be replaced by the affirmative principle of plenty.

Prices of Heavy Vehicles

The ministry of Heavy Industry has modified the informal price control on heavy road vehicles with immediate effect and laid down the parameters within which manufacturers could fix prices. According to official sources, the prices fixed by manufacturers are subject to check by the government.

It has been suggested to the industry that prices should be fixed on the basis of 90 per cent capacity utilisation and a return of 16 per cent on capital employed or nine per cent on networth. As soon as manufacturers fix the revised prices and communicate them to the ministry, the latter will examine whether these are within the suggested parameters. If not, the manufacturers would have to adjust the prices accordingly. The parameters propose a broad-range within which prices could be fixed. The government is yet to take a decision on the question of lifting price control on passenger cars.

Increase in Price of TELCO Trucks

The Tata Engineering and Locomotive Company recently announced an increase of Rs 7,816 in the prices of their trucks, which is 10.4 per cent of the ex-factory price. The announcement came following modification of price curbs on heavy road vehicles by the centre recently. In a press statement, the company claimed that "not one rupee of this price increase is retained by them since the cost escalation of the various inputs was substantially higher."

State Bank Lending Rates

The State Bank recently announced an increase in its price lending rate by a full percentage point to 13.5 per cent per annum with retrospective effect from August 1. The increase has been made to cover the seven per cent levy on interest earned by banks on loans and advances. The increase will not apply to advances for food procurement operations and exports, in respect of which the lending rates are determined by the Reserve Bank. The price lending rate has become notional in view of the minimum lending rate prescribed by the Reserve Bank. The actual lending rate of a bank is fixed in relation to its price rate.

International Civil Aviation Council

India has been re-elected to the 30-member International Civil Aviation Organization (ICAO) Council. The election took place in Montreal, Canada, where the general assembly of ICAO held its 21st session.

International Marketing

Prof G.R. Kulkarni, Director General, Indian Institute of Foreign Trade, in his valedictory address to the participants of the Advanced Training Programme on International Marketing for the university teachers and trainers of the ECAFE region countries stated that the world was passing through a critical period. Thus, while a world-wide recession was round the corner, on the one hand, there was a global commodity boom, on the other, so that any country could sell if at all it had the necessary production. It is in this context that international marketing emerged crucial in importance. Prof Kulkarni felt happy that the IIFT could serve as a forum for testing, developing and conceptualising the new thinking on regional economic cooperation and international marketing through this advanced training programme for the ECAFE teachers.

Addressing the participants and the IIFT faculty, Mr Roger Polgar, resident representative of the United Nations Development Programme, stated that the world was passing through a very difficult period and that, at such a juncture, international trade might have to play a more important role than ever before in the past.

The four-week advanced training programme on International Marketing for the ECAFE teachers was attended by three teachers from the Indian universities and training institutions and 20 teachers from the other Asian countries, namely, Afghanistan, Bangladesh, Burma, Hong Kong, Nepal, Philippines, Singapore, Sri Lanka, South Korea and Thailand. It was financed from Funds-in-Trust provided by the government of the Netherlands under the ECAFE Regional Followship Programme for foreign participants. The programme aimed at enabling the participants to appreciate and appraise recent developments in international marketing techniques, methods and analysis.

Fund-Bank Meeting

The annual joint meeting of the International Monetary Fund and the World Bank adjourned on October 4, after all the leading industrial nations and representatives of the rest had sounded off on how to tackle the problems caused by inflation, recession and the quadrupling of oil prices in one year. A number of remedies have been suggested which are to be considered by an "Interim Committee" which will be composed of 20 representative ministers under the chairmanship of Canada's Finance minister, Mr John N. Turner.

Initially, until it is ratified by three-fifths of all the member countries representing 85 per cent of voting power of the Fund, the committee will be advisory, but later it is to be endowed with executive power. Its wide range of functions include keeping under review how countries deal with their balance of payments as well as supervising overall and global aspects of development aid. Other important subjects it will consider are proposals to amend the articles of the Fund, questions relating to expanding the oil facility and the larger problem of recycling surplus of dollars. The 'interim committee's' immediate task, it is stated, is to determine how recycling can be most efficiently effected.

Exports of Spices

Exports of spices from this country during April-June, 1974, registered a substantial rise, according to the spices export promotion council. A total of 14,124 tonnes of spices valued at about Rs 14.75 crores was exported during this period, compared to 11,549 tonnes worth about Rs 8.81 crores for the corresponding period last year. Cardamom, ginger, turmeric, coriander seed, celery seed, fennel seed and cassia were the items which registered increase both in terms of quantity and value.

Exports of pepper and cummin seed recorded a decline in quantity but increase in earnings. Pepper exports during April-June 1974 fetched Rs 7.04 crores as against Rs 4.66 crores in April-June 1973. Exports of turmeric and ginger showed an increase from Rs 0.45 crores and Rs 0.44 crores to Rs 1.7 crores and Rs 0.81 crores respectively. These items were mainly exported to the US. Cardamom, which was mainly exported to Saudi Arabia, fetched this year Rs 3.17 crores, as against Rs 2.11 crores last year.

Tie-ups with Sri Lanka

Sri Lanka proposes to set up industrial estates in collaboration with this country for manufacture of exportable products, Dr S. Rattwatte, Director-General of Export Promotion, Sri Lanka, stated recently. There was large scope for manufacture of exportable rubber products in Sri Lanka for which raw material was available in plenty, he said.

Calcium Carbonate Project

A precipitated and activated Calcium Carbonate plant is being set up at Aurangabad, Maharashtra, with an installed capacity of 4000 tons per annum. The plant which is expected to be commissioned by the end of December this year, will use marble grade lime-stone, the best available in the country, to produce different grades of Calcium Carbonate of best quality and grades required for various industries including dentrifices, cosmetics, pharmaceuticals, printing inks, paints and varnishes, PVC rubber, paper and as a filler for various industries. NIDC, Power Gas Corporation and Alfred Herberts have been assigned the responsibility for engineering the plant incorporating the recent developments in the technological fields of this industry.

With the commissioning of the proposed plant which is promoted by Messrs Flexo Chemicals (I) Pvt Ltd, a G. Atherton & Co (P) Ltd group, the supply to consuming industries will ease the demand. There is tremendous scope for exports and Flexo Chemicals is confident of producing the finest export quality.

The project cost of the plant will be around Rs 60 lakhs out of which a loan of Rs 40 lakhs is being sanctioned by the financial institutions.

National Textile Corporation

The National Textile Corporation has registered marked improvement in its operations during 1973-74. The 96 mills in operation produced 806 million metres of cloth and 44.84 million Kg. of market yarn collectively valued at Rs 224.00 crores. This compares quite favourably with the production value of Rs 113.00 crores achieved during the preceding year. The overall production achievement this year outstrips last year's figure by more than 90 per cent. The total out-turn of the 96 mills for the year ending March, 1974 was Rs 243 crores as compared to that of Rs 141.25 crores in respect of 80 working mills last year. This represents an increase of 72 per cent and accounts for 19 per cent of the total textile production in the country.

A net profit of Rs 18.37 crores (after depreciation) has been returned by the mills this year. This stands in bold relief to the profit of Rs 1.38 crores earned during the previous year. Eightyone units netted profit figure of Rs 23.12 crores (before depreciation) while 14 units returned a marginal figure of loss of Rs 0.71 crores.

At the time of the take-over almost all the mills were in a decript mechanical condition. For making them economically viable units, capable of earning profits a programme of modernisation/renovation was evolved. Upto the end of March, 1974, an outlay of Rs 29.00 crores was sanctioned for the modernisation of 48 mills. During the year, the corporation released Rs 2.03 crores for utilisation by the concerned units. The funds released last year were of the order of Rs 2.37 crores. The total loans advanced for this purpose so far amounted to Rs 5.58 crores.

In keeping with the government's policy of making available cheaper varieties of cloth to the poorer sections of the society, the mill units have opened 264 fair price shops in predominantly rural areas. The obligation for production of controlled cloth has been more than fulfilled by the mills under government control. During the year the mills produced 112.12 million metres of controlled cloth against the production obligation of 90.97 million metres.

From a modest beginning of exports of 30 million metres of cloth valued of Rs 3.83 crores in 1971, the government managed mills have maintained a steady improvement in performance in this direction. In 1972, the export figures stood at 66.3 million metres of cloth valued at Rs 8.7 crores. In 1973, a new high of 118 million metres of cloth valued at Rs 22.00 crores was achieved. The exports are being made to the USA, the USSR, Japan, West Germany, France and Australia. Among others some exports have also been made to Bangladesh. The varieties of exports include longcloth, grey sheetings, towels and sarees etc.

Readers' Roundtable

Tea industry in doldrums

SIR—THE TEA industry, which occupies a unique place in India's economy by virtue of its position, both as a major foreign exchange earner and as a provider of employment for over one million, is now in the doldrums. The profitability of the industry has been gradually and steadily eroded. Mounting cost of production, without a corresponding increase in prices, do not permit sufficient cash accruals for plough back and development. While on the one hand the number of companies incurring losses has increased and the total dividends as percentage of total paid-up capital has declined, certain sections of the industry have not taken steps to conserve the available resources. In fact, dividends as a proportion of net worth calculated even on the basis of book value are too low to be considered significant. Of the 134 selected companies surveyed by the RBI in 1968, the number which have drawn on their reserves for purposes of distribution of dividend has gone up from 44 and 41 in the years 1966-67 and 1967-68 respectively to 74 in the year 1968-69.

As pointed out by the Borooah Committee on Tea, "one of the main factors which has acted as a serious impediment in undertaking more development is the lack of resources, within the industry for the purpose. It would naturally be expected that for such a long established industry as tea, it should by now have created sufficient resources of its own. In practice, the industry did generate adequate resources until about 1950. Since then, however, because of rising costs, rising tax liabilities and increasing statutory obligations for labour welfare, combined with gradual decline in prices in international markets, these resources have been seriously depleted." What is more, the rise in cost of production has been brought about by the rise in prices of materials and stores, rise in labour wages, increased statutory obligations imposed by the Plantation Labour Act, Payment of Bonus Act and also the spiralling cost of foodgrains that have to be supplied to the labour in NE India, at subsidised rates, based on the price in force in 1941. We have also seen more and more taxes have been imposed by the central and state governments and how tax liabilities have mounted up."

In order to save the industry out of the present crisis the following measures are suggested:

In regard to short-term Finance, the Working Group on Finance for Tea Industry, presided over by Mr B. K. Dutt (1972) has made these important recommendations and they are:

1. The cash credit (ie. the maximum outstanding that may be permitted in the account at any one time) may ordinarily be 60 per cent of the gross sales turnover or 75 per cent of the cost. Cost should be taken to include all expenses including excise duty, provident fund dues, transport, stores, foodgrains, interest on term loans, etc.

2. The seasonal drawings or total drawing limit (ie the aggregate debits or withdrawals which would be allowed in the cash credit account for the entire season) may be permitted to rise upto 95 per cent of the net sales turnover of the actual cost, whichever is less. The drawings may be regulated by monthly schedules as submitted by the borrowers and approved by the bank. Sales and cost referred to above may be calculated on the basis of average of actuals of the past two years (any abnormal year being given due weight for the purpose), with a built-in cover for normal crop expansion, cost escalation and other contingencies.

(3) In regard to long term finance two measures are important.

a. The facilities of IDBI and IFCI could be extended to the tea industry, if necessary, by suitable amendments of the relative enactments.

b. To facilitate the flow of credit to the industry ARC and IDBI should increase their refinance coverage and provide 80 to 90 per cent and, in deserving cases, even upto 100 per cent of the development loans extended. Also, the state financial corporation could be made eligible for refinance assistance from ARC.

The facilities provided by the ARC or Tea Board are not being as extensively used nor are they easily available as they should be because of the cumbersome and onerous nature of the procedures that have to be observed when attempting to secure long term loans for development purposes. The scheduled commercial banks have of course been helpful in channelling ARC assistance to well established plantations which have the necessary management or technical expertise. But there are many estates which are either proprietory concerns or private limited companies and which have not found it possible to take full advantage of refinance facilities provided by the ARC.

In the states of Tamil Nadu, Karnataka, Kerala, West Bengal and Assam having a great share in the plantations industry, the state financial corporations should be empowered to grant loans out of block credits provided by ARC or against refinance facilities in consultation with the Tea Board or other lending institutions.

The TIIC particularly has been specializing in various forms of terms lending for helping large-scale, medium and small industries and the IDBI has recently thought it advisable to make available to small industries loans in foreign currency on the basis of the recommendations of TIIC and other state financial corporations. This new facility has been greatly appreciated by small industries.

If, therefore, the TIIC or KIIC can undertake also the provision of funds for rehabilitating and facilitating replantation programmes of the tea estates, the general efficiency of tea production can be considerably improved in Tamil Nadu and Kerala which are the principal producers of this beverage in the southern region.

The same or even better facilities that are available to the lending institutions when disbursing term finance should be made available to the TIIC or KIIC. In this manner the sums lent annually can be sizable as the programme of replantation extension or establishment of processing facilities can be executed vigorously if only there is a multiple agency approach on a consortium basis. The earlier we adopt suitable measures in these directions, the better it will be for the future of the tea industry.

Madras C.S. MAHADEVAN

COMPANY AFFAIRS

Bonus Issues : New Guidelines

THE GOVERNMENT issued on September 30 new guidelines governing the issue of bonus shares. It is to the effect that the amount of free reserves to be capitalised for issue of bonus shares at any one time should not exceed the total paid-up equity capital of the company. Thus under the new guidelines no company would be allowed to issue bonus shares in the proportion larger than one-for-one. In fact the existing guidelines have already imposed a restriction on the frequency and the quantum of a bonus issue and what is more in the present circumstances no company will ever think of capitalising its reserves and issue bonus shares unless they are in a position to maintain the dividend on the enlarged capital. Already scores of companies have been obliged to prune the dividend even below the maximum of 12 per cent provided under the dividend ordinance even though they are in a position to declare more. In the circumstances the present announcement, according to market circles, serves no useful purpose.

The stock market continued to wear a gloomy look. The downtrend in equity prices persisted but the pace of decline slowed down because of the general reluctance to press sales at lower levels. Dalal Street opened last week on a subdued note following the announcement restricting the quantum of bonus issue by companies to a maximum of one-for-one. Equities tended to look up towards the close of the week. The volume of business, however, continued to be poor and the undertone at the close was cautious. The Calcutta Stock Exchange was dull and featureless during the week. Share values recorded a steady decline following increased selling. Feeble attempts at rally, however, petered out due to lack of follow-up support. In Madras Stock Exchange the week was one of moderate activity.

Indian Organic

The Khopoli unit of Indian Organic Chemicals Ltd, has given an outstanding performance except for the continued stagnation in the plasticizers plant due to the non-availability of phthalic anhydride at the right price. Pioneering efforts have been made by his company in the export of its chemicals and the company is justifiably proud of its achievements in this field. It hopes to maintain this record, if conditions permit, during the current year as well. The company has also decided to install a distillery with a capacity of eight million litres in the backward region of Marathwada. Steps are also being taken to add facilities to its existing plants for producing acetic anhydride and this is expected to be completed next year. The company is also concentrating its efforts on research and development. Its operations at Khopoli and Manali have been devoted with a view to innovating processes for existing or new products as well as indigenous substitution of imported materials or equipments. A first class pilot plant has already started operating at Manali. This was disclosed by the Chairman, Mr B. M. Ghia while addressing the annual general meeting of the company.

The polyester fibre industry, the chairman said, had been pleading for progressive and appropriate reduction in the massive rate of excise duty so as to catalyse the slow process of expansion of the market for blended fabrics, without which the more recent three-fold increase in the installed capacity for production of fibre cannot be fully or meaningfully untilised. Among other benefits to the economy the proposal, the chairman emphasised, would help to reduce the deficiencies in the supply of cotton especially the imported varieties to the expanding textile industry. On the other hand the chairman said there have since been substantial increases in duties all round — from the raw material for the fibre up to the garment stage. Together with other constraints, the effect has been to raise the prices of the fibre, which in turn, tend to constrict even the existing demand, which will ultimately prejudice government revenues as well. The Association of polyester staple fibre manufacturers is taking action on problems facing the industry as a whole from time to time. Accordingly it is also persevering in its commendable efforts to convince the authorities of the need for timely action regarding excise duties which have been conceived only for furthering long-term national interests and not undue benefits to the industry in the short-term.

Zenith Steel Pipes

ZENITH STEEL Pipes Ltd has reported all-round improvement in its performance during the year ended April 30, 1974. Its production of pipes increased quantitatively by 25 per cent during the year as compared to the previous year. This commendable improvement in production was achieved by better plant efficiency and adequate availability of zinc and steel based on export performance of the company. Further it is gratifying to note that as a result of technical improvements effected by the company, the DGTD has reassessed the licensed capacity of the pipes plant at 91,000 tonnes per annum. The tools manufacturing division has carried out further improvements in production range and quality. Technical collaboration agreement has recently been concluded with Messrs American Shear Knife Company of the USA and it has been approved by the government. The erection of the electric are furnace at Khopoli has been completed and the trial production is expected to commence in the course of this month. During the year the company exported 53 per cent of its total production of pipes and its earnings from exports touched an all-time high of as Rs 5.88 crores which was about two-and-a-half times the value of its exports during 1972-73. Goods worth Rs 37.04 lakhs manufactured by others were exported during the year under review. The company has now become an eligible export house. Its profits during the year amounted to Rs 255.25 lakhs as compared to Rs 93.34 lakhs in 1972-73. Out of the profit, the directors have allocated a sum of Rs 15.29 lakhs to depreciation reserve as against Rs 14.55 lakhs in 1972-73 while the allotment to statutory development rebate reserve was enhanced from Rs 0.20 lakh to Rs 2.10 lakhs. This leaves a net profit of Rs 237.86 lakhs as compared to Rs 78.59 lakhs in 1972-73. After adjustments a sum of Rs 239.30 lakhs was transferred to the general reserve while an amount of Rs 5319 was carried forward to the next year's accounts. The directors have always followed a fairly liberal policy in declaration of dividend. But this year on account of the dividend ordinance the directors have recommended a dividend of Rs 1.20 per equity share. Further the directors have decided to capitalise Rs 112.00 lakhs out of the general reserve and issue bonus shares in the ratio of four bonus shares to every five existing equity shares.

L&T-McNeil

L&T-McNeil, a 60—40 venture of Larsen & Toubro and McNeil Akron, USA was set up with the main objective of manufacturing rubber processing machinery in technical collaboration with McNeil Akron. L&T-McNeil took possession of a 22.16 acre plot acquired through the government of Tamil Nadu to establish its manufacturing facilities at Ramapuram, near Madras, nearly 17 months ago, in April 1973. Immediately thereafter the construction of company's factory, services and administrative buildings was started and by September 1974 L&T-McNeil was ready with all its buildings complete and its plant and machinery fully installed. The factory—the first of its kind in the country to manufacture tyre curing presses—was formally inaugurated recently in Madras by Mr M. Karunanidhi, the Chief Minister of Tamil Nadu. At the inaugural function itself, the first indigenously manufactured 55″ Bag-O-Matic truck tyre curing press was handed over to the client, Dunlop India Limited by L&T-McNeil.

Registered in March 1972, L&T-McNeil Limited has an authorised capital of Rs 1.8 crores. Fifty-four per cent of the paid-up capital of Rs 50 lakhs is held by L&T, 40 per cent by the American collaborator and the remaining six per cent by ICICI. The L&T-McNeil project involved an initial capital outlay of Rs 1.5 crores. It is proposed to make further investment in balancing facilities to augment the production so that the country's future demand for sophisticated tyre curing equipment is met wholly from within the country.

Khatau

Khatau Makanji Spg & Wvg Co Ltd has fared extremely well during the year ended June 30, 1974. Its sales during the year spurted from Rs 16.73 crores to Rs 20.97 crores while gross profit jumped from Rs 1.50 crores to Rs 2.92 crores. The directors have appropriated a sum of Rs 50.43 lakhs to depreciation reserve, Rs 5.32 lakhs to development rebate reserve, Rs 121.60 lakhs to taxation reserve, Rs 44.31 lakhs to gratuity and Rs 69.36 lakhs to general reserve as against Rs 51.12 lakhs, Rs 3.02 lakhs, Rs 17.00 lakhs, Rs 66.81 lakhs, and Rs 12.38 lakhs provided respectively in 1972-73. The directors have maintained the equity dividend at Rs 10 per share. The proposed dividend will absorb about Rs 22.44 lakhs.

Hindustan Petroleum Corpn.

An operating profit of Rs 37.31 lakhs has been reported by the fuel refinery of Hindustan Petroleum Corporation Limited during the year ended December 1973 as compared to the operating loss of Rs 4.67 lakhs in 1972. The crude runs at 2.9 million tonnes were 15 per cent higher than in 1972, and the highest ever achieved in a year since the refinery went on stream in 1954. Notwithstanding the benefit of the higher crude runs, the per ton operating cost increased from Rs 17.98 in 1972 to Rs 19.68 in 1973. This was due to the general increase in price levels, higher fuel cost resulting from unprecedented crude price increases, higher crude runs and programmed shutdown maintenance of the refinery in 1973. The refinery, however, will do its best to ensure full utilisation of its capacity of 3.5 million tonnes and increased production of vital products such as kerosene and high speed diesel. The research development programme of the company had succeeded in diversifying product ranges from five in 1953 to some 30 in 1973. This programme had provided a stimulus for import substitution and among the new products to be developed were the Aerosol LPG to replace imported Freon; mosquito larvicidal oil with an estimated potency ten times higher than the conventional larvicidal oil, for control of Malaria; rubber processing oil to replace imported aromatic rubber process oil; pentane substitute in manufacture of expandable polystyrene in the petro-chemical industry. Crude supplies as well as costs would continue to be difficult, but nonetheless, planning for the future economically and in rational phases is continuously under the consideration of the management.

Hindustan Organic Chemicals

Hindustan Organic Chemicals Limited, a Government of India Enterprise at Rasayani, earned a maiden net profit of Rs 1.28 crores during the year ended March 31, 1974 as against a loss of Rs 20.27 lakhs in 1972-73. Sales recorded a 28 per cent rise from Rs 643.09 lakhs in 1972-73 to Rs 822.07 lakhs in 1973-74. This figure would have been higher but for the acute shortage of critical raw materials such as nitric acid, methanol, acetic acid and acetic anhydride and caustic soda flakes, which hampered production.

The Company earned during the year a gross profit of Rs 320.78 lakhs and after providing Rs 106.34 lakhs for depreciation, Rs 62.07 lakhs for interest and Rs 24.50 lakhs for development rebate reserve, the year ended with a net profit of Rs 127.87 lakhs. with the commissioning of 10 out of 12 plants, the end of the first phase of the Company's programme is in sight. Monochlorobenzene Plant is undergoing trial runs and Nitrochlorobenzene Plant, which is the last in the series, will be commissioned soon. An ambitious expansion and diversification programme involving an outlay of about Rs 35 crores is on the anvil. Firm proposals for the expansion of the existing capacities of nitrobenzene, aniline, acetanilide, benzene hexachloride and nitrochlorobenzene plants and for setting up plants for manufacturing nitric acid, caustic soda/chlorine, acetic acid and acetic anhydride, pentaerythritol, o/p-Nitrophenol and phenol will be submitted to the government shortly. In order to keep pace with modern technology, the company is working in close cooperation with the National Chemical Laboratory, who are HOC's consultants. In fact HOC's acetanilide and monochlorobenzene plants are based on the technology developed by the NCL. A joint HOC-NCL Team is working to develop an indigenous catalyst for aniline to replace the imported one and evolve process for better utilisation of HOC's bye products.

Morarjee Goculdas

Despite the 42-day old textile strike and sharp escalation in manufacturing costs Morarjee Goculdas Spg & Wvg Co Ltd has earned during the year ended June 30, 1974 a record profit of Rs 242.84 lakhs as compared to Rs 201.60 lakhs in 1972-73. This is the highest profit reported by the company during its 103-year history. Out of the gross profit, the directors have allocated Rs 49.39 lakhs to depreciation reserve, Rs 80 lakhs to taxation reserve, Rs 10.59 lakhs to development rebate reserve, Rs 53.62 lakhs to general reserve and Rs 39 30 lakhs towards gratuity as against Rs 45.56 lakhs, Rs 58.00 lakhs, Rs 5.82 lakhs, Rs 69.94 lakhs and Rs 51.63 lakhs provided respectively in 1972-73. Besides an amount of Rs 10 lakhs was provided in 1973-74 for bonus in respect of earlier years as against no allotment in the previous year. Although the working results justify declaration of a higher dividend, in view of the dividend ordinance the directors have recommended an equity dividend 11.5 per cent as against 16 per cent paid in 1972-73.

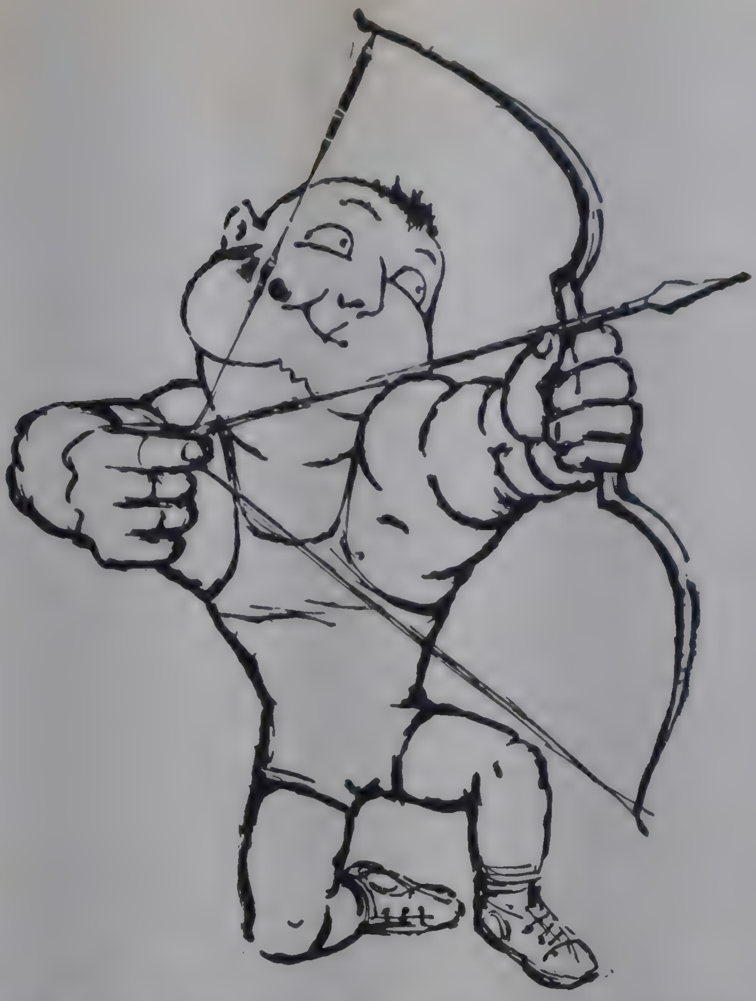
Arlem Breweries

Arlem Breweries has reported record profits and sales during the year ended March 31, 1974. Production of beer during the year was higher, although marginally, than that during the previous year. As a matter of fact, had it not been for the closure of the plant for as long as one month owing to shortage of hops, the production of beer would have been much higher. The profit before providing for depreciation and development rebate reserve during the year amounted to Rs 40.39 lakhs. To this has been added the amount of Rs 12.27 lakhs being the development rebate reserve provision made during the earlier years thus making a total of Rs 52.66 lakhs. After writing off the accumulated losses of Rs 5.76 lakhs and after making provision for depreciation amounting to Rs 8.42 lakhs and development rebate reserve of Rs 12.75 lakhs, the net surplus amounts to Rs 25.73 lakhs. Although the company is in a position to declare a higher dividend, in view of the dividend ordinance the directors have recommended a dividend of only Rs 0.75 per share. The recommended dividend, however, is eligible for exemption from income-tax.

News and Notes

The West Bengal Industrial Development Corporation has entered into a financial collaboration agreement with Aaekay Investment Centre for the manufacture of 30,000 deluxe Lambretta scooters in West Bengal. Under the agreement, WBIDC will hold 26 per cent of equity shares and the financial collaborators will contribute 25 per cent and the balance will be offered to the public. The project is estimated to cost Rs 3 crores for which land has already been acquired at Kharagpur. Scooters (India) Limited, a government of India undertaking, will provide the consultancy services and technical know-how.

A consignment of Philips fluorescent light fittings is currently being loaded at Bombay's docks. Covering 13,000 pieces of light fittings valued at well over rupees 16 lakhs, this shipment by Philips India Limited to Kuwait, in the largest ever export shipment of light fittings from India.



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These fittings are ordered by a party in Kuwait for the purpose of illuminating a multistorey building.

It may be interesting to note that the Company's exports covering the eight-month period from January to August this year, have already exceeded two-crore mark as against its target of Rs three crores for the year 1974. Philips India's export in 1973 was to the tune of Rs 1.20 crores. Sophisticated electronic components as well as finished products besides a large range of lamp components and products made by Philips India are increasingly finding buyers in Europe, Africa and Asia because of its world class quality.

The construction of 'Central Foundry Forge Plant', a unit of BHEL at Ranipur, Hardwar, started on October 2, 1974. This will be a significant landmark in BHEL's march towards self-reliance. This 'Central Foundry Forge Plant' will manufacture steel castings and forgings which are vital inputs for the sister Heavy Electrical plants. These were hitherto being imported. The plant is being set up in technical collaboration with M/s Creusot-Loire of France. Various units of the plant would be commissioned in phases, and the plant is likely to go into production in early 1978. When this factory goes into full production, it is estimated that foreign exchange savings will be of the order of Rs 20 crores per annum. Besides saving foreign exchange, the factory will ensure a dependable source for critical castings and forgings for the heavy electrical industry.

New Issues

Indian Resort Hotels is offering 4,00,000 equity shares of Rs 10 each at par to the public for subscription. The subscription list for this fully underwritten issue opens October 28. The entire amount of Rs 10 per share is payable on application. Promoted by Indian Hotels the company proposes to set up a beach resort hotel at the southern end of the famous Calangute Beach near Fort Aguada, Goa, with 120 guest rooms. The hotel is expected a receive guests from November 1974. The project is estimated to cost Rs 1.65 crores.

Sovereign Dairy Industries proposes to enter the capital market with a public issue of 1.5 lakh equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for financing partly the company's proposed Rs 65-lakh dairy to be set up near Poonamallo the outskirts of Madras city. About 25 hectares of land will be acquired to locate the dairy as also for growing green fodder for the cattle. Experiments for growing lucerene, a high protein grass, have been carried out successfully at the proposed site. The cost of the project of Rs 65 lakhs is proposed to be met by share capital of Rs 20 lakhs loans from banks of Rs 26.75 lakhs and loans from financial institutions of Rs 18.25 lakhs.

Capital and Bonus Issues

Consent has been granted to nine companies to raise capital amounting to over Rs 4.62 crores. Following are the details :

The Vijaya Mills Co Ltd, Ahmedabad, have been accorded consent, valid for 3 months, to capitalise Rs 7,00,000 out of its general reserve and issue fully paid equity shares of Rs 250 each as bonus shares in the ratio of one bonus share for every five equity shares held.

The United Trading Corporation and Workshop (Private) Ltd, have been accorded consent, valid for 3 months to capitalise Rs 1,00,000 out of its general reserve and issue fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of 1 bonus share for every one equity share held.

Sri Karunambika Mills Ltd, Somanur, have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 7,76,900.

Diamond Investment Properties Ltd, Calcutta, have been granted consent valid for a period of 12 months, for issue of equity shares worth Rs 26,25,690 to be issued to the shareholders of M/s Bengal Discount Co Ltd, Calcutta, M/s Nawagarh Properties Ltd, Calcutta, Dalburband Coal Co Ltd, Calcutta and Ranigunge Properties, Ltd, Calcutta, in terms and in accordance with the scheme of amalgamation approved by the Calcutta High Court.

Calcutta Cold Storage Ltd, Calcutta, have been granted consent, valid for a period of 12 months, for issue of equity shares worth Rs 5,45,300 for cash at par, to be issued to resident Indians only by private placement.

Shree Vindhya Paper Mills Ltd, Bombay, has communicated to Government of its proposal to issue capital to the extent of Rs 60,00,000 (exclusive of Rs 10 lakhs already raised) divided into 6,00,000 equity shares of Rs 10 each, for cash at par to be issued as to Rs 10 lakhs as right shares, Rs 8 lakhs to the directors, their friends, associates, etc and Rs 42 lakhs to the public by prospectus.

Falcon Tyres Ltd, Bangalore, has communicated to government of its proposal to issue capital to the value of equity shares worth Rs 50,00,000 (inclusive of the capital already raised) for cash at par. The proceeds will be utilised for establishing a factory for manufacture of tyres, tubes and industrial vee-belts in district Mysore, Karnataka State.

Mahavir Spinning Mills, Ltd, has communicated to government of its proposal to issue capital to the extent of 30 lakhs worth equity shares of Rs 10 each.

Northern India Hotels Ltd, has communicated to government of its proposal to issue capital to the extent of Rs 5,00,000 in equity capital, to meet part of the expenditure in connection with the setting up of a luxury hotel at Agra.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current Year	Previous Year
Higher dividend			
Sree Meenakshi Mills	June 30, 1974	10.0	Nil
Same dividend			
Lakme	March 31, 1974	10.0	10.0
Chemicals and Plastics	March 31, 1974	Nil	Nil
Chitavalsah Jute	July 31, 1973	Nil	Nil
Reduced dividend			
Bengal Flour Mills	Dec. 31, 1973	Nil	7.0
Balanoor Tea and Rubber Co.	May 31, 1974	12.0	15.0
Devon Tea	May 31, 1974	7.5	15.0
Badra Coffee	May 31, 1974	12.0	15.0
Hindustan National Glass	March 31, 1974	12.0	15.0
Tata-Yodogawa	March 31, 1974	Nil	6.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended August 5 to August 31, 1974. (The licences and letters of intent issued during the period May to July 1974 will be published in subsequent issues.) The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expansion (SE), Carry on Business (COB); Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Hercules Bright Steel (P) Ltd; 86, Mint Road, Fort, Bombay. (Thana-Maharashtra)—Bright Bars—9,800 tonnes p.a. —(C.O.B.)

Mr Kantikumar R. Podar, (The Podar Trading Co. Ltd.), 109, Podar Chambers, Sayed Abdulla Brelvi Road, Fort, Bombay. (Nasik-Maharashtra)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels, etc.—18,000 tonnes p.a.—(C.O.B.)

M/s Swastik Metal Inds., 168, C.S.T. Road, Kalina, Bombay 29. (Bombay-Maharashtra)—M. S. Bolts & Nuts—630 tonnes p.a.—(C.O.B.)

M/s Leader Engg. Works., Industrial Area, Jullunder. (Jullunder-Punjab)—Non-Ferrous type Boilers Mountings and Fittings—78 tonnes p.a.; Ferrous Type Boilers Mountings and Fittings—600 tonnes p.a.—(N.A.)

M/s A. K. Corpn. Ltd; 93, Park Street, Calcutta-16. (Visakhapatnam-A. Pradesh)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc.—7,000 tonnes p.a—(COB).

M/s Bajaj Steels & Indus. Ltd; 84/60, Answarganj, Kanpur. (Unnao-U.P)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc.—18,000 tonnes p.a—(COB).

M/s Benimadhab Sett, Satya Charat Sett, D-4, Juggernathghat, Lahaputty, Calcutta.-7. (Howrah-West Bengal)—Wire Products—900 tonnes; Wires—950 tonnes p.a—(COB).

M/s Universal Industries & Cotton Mills Ltd; 9/1, R.N. Mukerjee Road, Calcutta. (Suri, Birbhum-West Bengal)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc.—18,000 tonnes p.a—(COB).

M/s Hindustan Rollings & Wires Pvt. Ltd; 2-E/22, Jhandewalan Extension, New Delhi-55. (Sonepat-Haryana)—Mild Steel Wires—1,250 tonnes p.a.; High Carbon Steel Wires—[illegible]50 tonnes p.a—(COB).

M/s Datta Tin Works (P) Ltd: XXX/1617, Srikandath Road, Cochin-16. (Alwaye, Ernakulam-Kerala)—Printed Tin Containers (for both the industrial units viz Ernakulam & Alwaye)—150 tonnes p.a—(COB).

Mr Chandradip Prasad, Managing Director, Nalanda Steel Pvt. Ltd; Sant Mahabirjee Trust, P.O., Biharsharif, Nalanda. (Nalanda-Bihar)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc. 9,000 tonnes p.a—(COB).

M/s Shree Mukesh Textile Mills Pvt. Ltd; (Steel Division), Vadnagra Patidar Society, Rambaug, Maningar, Ahmedabad. Broach-Gujarat)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc.—9,000 tonnes p.a—COB).

M/s Mohta Alloys & Steels Ltd; 59, Golf Links, New Delhi. Dhandari Kalan, Ludhiana-Punjab)—Grinding Media—3,000 onnes p.a—(NA).

M/s Steel Crete Pvt. Ltd; Steelcrete House, 3-Dinshaw Vachha Road, Bombay. (Visakhapatnam-A. Pradesh)—Steel Ingots; Electrode quality Carbon Steels; Forging Quality Carbon Steels, Cold Heading Quality Carbon Steels, etc.—18,000 tonnes p.a—(COB)

M/s Kalyan Industrial Corpn., 56, Netaji Subhas Road, Calcutta-1. (Durgasthan, Katihar-Bihar)—M.S. & G.I. Wires —3,900 tonnes p.a—(COB)

M/s Punjab Iron & Steel Co. (P) Ltd; G.T. Road, Jullundur Cantt. (Jullundur-Punjab)—M.S. Ingots Electrode quality Carbon Steels; Forging Quality Carbon Steels; etc—12,000 tonnes p.a—(COB)

Mr Raminder Singh Chawla, 53, Kunj Society Alkapuri, Baroda. (Maneja, Baroda-Gujarat)—Mild Steel Black Wires—1,800 tonnes p.a—(COB)

M/s Saraswati Steels & Alloys Ltd; Alpna Cinema Bldg; Model Town, Delhi. (Muzaffarnagar-UP)—M.S. Ingots; Electrode quality Carbon Steels; Forging quality Carbon Steels; etc.—18,000 tonnes p.a—(COB)

M/s Ram Kishan Metal Works (Bombay), C-33, Wagle Industrial Estate, Thana. (Thana-Maharashtra)—Mild Steel Rounds—5,000 tonnes p.a—(COB)

M/s Bharat Mineral Sales Corpn., 1/A, Vansittart Row, Calcutta-1. (Panihat, 24-Parganas, W. Bengal)—M.S. Black Wires (Ungalvanised)—1060 tonnes p.a—(COB)

M/s Raipur Wires & Steel Ltd; 23-A, Yusuf Building, 49-Vir Nariman Road, Bombay. (Raipur-Madhya Pradesh)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels etc.—18,000 tonnes p.a—(COB)

M/s Best & Co. Pvt. Ltd; 13/15, North Beach Road, P.O. Box No. 63, Madras-1. (Bangalore-Karnataka)—Alloy Steel Castings & Steel Castings—500 tonnes p.a; Special Alloy Iron Castings—50 tonnes p.a.; Grey Iron Castings—400 tonnes p.a.; Alloy Iron Castings, Heat & Corrosion Resistant Castings, High Silicon & Nickel Hard Castings and Spherical Graphite Castings—400 tonnes p.a.—Mechanised Steel castings—48 tonnes—(NA)

M/s Precision Fasteners Ltd; Central Bank Bldg; Bruce Street, Bombay. (Kalwa, Thana-Maharashtra)—High Tensile Self Locking Nuts—360 tonnes p.a—(NA)

M/s Deccan Wires Ltd; 462, 21st Cross-III Block, Jaya Nagar, Bangalore. (Bangalore-Karnataka)—Steel Wires of various types; viz. Valve Spring Steel Wire, High Carbon Spring Steel Wire, Bead Wire, Umbrella Wire, Fastener and Bell Bearig Wire—10,000 tonnes p.a.—(NU)

Prime Movers (Other than Electrical Movers)

Mr Jasbir Singh, C-31, Model Town, Ghaziabad. (Ghaziabad-U.P.)—Diesel Engines upto 15 HP range—500 nos. p.a—(COB)

Electrical Equipment

M/s Abrol Engineering Co.; Circular Road, Kapurthala. (Kapurthala-Punjab)—Switches (Rewireable as well as with HRC fuses) 240/250V, 15/16A, 415/500V upto 400A—capacity to be fixed later by Ministry of Heavy Industry; Cut-out (Rewireable as well as with HRC fuses) 240/250V, 15/16A, 415/500V upto 400A. (capacity to be fixed later by Ministry of Heavy Industry). Porcelain rewireable fuses 240/250V, 15/16A, 415/500V upto 300A—6,50,000 nos p.a.; Distribution fuse boards 240/250V, 15/16A, 415/500V, 100A—3,000 nos p.a.; HRC fuses (upto 500V, 15 to 1500 amps)—6,00,000 nos. p.a.—(NA)

M/s Electronics Ltd; 12-A, Connaught Place, New Delhi. (Faridabad-Haryana)—Automatic Voltage Regulator Transformers of ratings 0.5 KVA to 3.0 KVA—6,000 nos. p.a—(COB)

M/s Philips India Ltd; Shivsagar Estate, Block 'A', Dr. Annie Besant Road, Bombay. (Bombay-Maharashtra)—High Wattage Burners for gaseous discharge lamps (Mercury Lamps)—3 lakh nos.—(SE)

Mr Suresh S. Mahajan, Mahajan Hybrids, 35, Navrang, Peddar Road, Bombay. (Maharashtra)—Thin Film Hybrid Microcircuits of different types—196,300 nos. p.a—(NU)

M/s Bush India Limited, Sukh Nagar, N.S. Pathak Marg, Bombay. (Thana-Maharashtra)—Electronic Calculators (Hand Held)—50,000 nos. p.a—(NA)

Mr Deepak Raj Narang, 3, Cavalry Lines, Delhi-7. (Delhi)—Printed Circuits—50 tonnes p.a.—(NU)

M/s Eastern Electronics (Delhi) Pvt. Ltd; 1-2, Industrial Area, Faridabad. (Ballabhgarh—Haryana)—Faraday Cages & Accessories—120 nos. p.a—(NU)

M/s Cutler Hammer India Ltd; 20/4, Mathura Road, Ballabgarh. (Ballabgarh—Haryana)—Motor Control Centres—500 nos; Special Control Panels—250 nos; Fuse Swithces—7,000 nos; Industrial Resistors—7,000 nos; Industrial (Magnetic) Brakes—1,000 nos—(NU)

M/s Standard Batteries Ltd; (Oldham Division), P.B. No. 2635, Madras. (Saidapet, Chingleput-Tamilnadu)—Krypton filled Miners' Cap Lamps—1 million nos. p.a—(NA)

Mr Madan Mohan, B-258, Greater Kailash-I, New Delhi (Bangalore-Karnataka)—*Integrated Finned Tubes* : Steel—220 tonnes; Copper—30 tonnes; Brass—30 tonnes; Aluminium—50 tonnes—(NU)

M/s Trimourti Electronics Pvt. Ltd; Sea Castle, Opp. Tilak Statue, Netaji Subhas Road, Chowpatty Sea Face, Bombay. (Bombay-Maharashtra)—Black & White T.V. Receivers—36,000 nos.; Black & White Portable T.V.—50,000 nos.; AM/FM Radios—2,00,000 nos; Cassette Tape Recorders. (Including Radio Combination)—50,000 nos; Electronics Tuners-UHF/VHF—1,00,000 nos.—(NU)

Transportation

M/s Kerala State Engineering Technicians (Workshop) Industrial Co-operation Society Ltd; Main Road, Near G.P.O., Trivandrum. (Alleppey-Kerala)—Scooters—24,000 nos. p.a—(NU)

M/s Kanchee Transmission Gears (P) Ltd; Krishna Gardens, Near Railway Station, Kancheepuram. (Kancheepuram-Tamilnadu)—Spiral/Byford Gears & Pinions for Tractors and Trucks—350 tonnes p.a—(NU)

M/s Hyderabad Allwyn Metal Works Ltd; Sanatnagar, Hyderabad—(Hyderabad-Andhra Pradesh) — Scooters—24,000 nos. p.a.—(NU)

Industrial Machinery

M/s Banelon Industries, 109, Sir Vithaldas Chambers, 16-Apollo Street, Fort, Bombay-1. (Andheri, Bombay-Maharashtra)—Crimping Machines—6 nos. of 96 spindles each—(NU)

Ms Wellman Incandescent India Ltd; 8-Harington Street, Calcutta-16. Howrah-West Bengal —Industrial Furnaces & Allied Equipment—Rs 300 lakhs p.a—(SE)

M/s Tata Chemicals Ltd; Bombay House, Bruce Street, Fort, Bombay. (Mithapur-Gujarat) — Complete Soda Ash Plant—One plant of a capacity of 400 tonnes of Soda Ash per day—(NA)

M/s Star Textile Engg Works Ltd; Dhanraj Mahal, Chhatrapathi Shivaji Maharaj Marg, Bombay. (Bombay-Maharashtra)—Automatic Flat-bed and Rotary Screen Printing Machines—6 nos.—(NA)

M/s Texmo Industries, Gnanambikai Mills, P.O., Coimbatore. (Coimbatore Tamil Nadu)—Centrifugal Pumps upto the size of 4″ × 4″—25,000 nos. p.a—(COB)

M/s Fenner Cockill Ltd; Post Box No. 117, Madurai. (Madurai-Tamil Nadu)—Fona Plast PVC Impregnated Flame Resisting Colliery Conveyer Beltings—76,200 running metres—(SE)

M/s Larsen & Toubro Ltd; Powai Works, Saki-Vihar Road, Post Box 8901, Bombay. (Saki Vihar, West Bombay-Maharashtra)—Suspended Particles Drying Plants—6 plants of total water evaporation capacity of 1,000 K.G. per hour. p.a—(SE)

M/s Honeywell India Pvt. Ltd; Nirmal, Nariman Point, Bombay-1. (Bombay-Maharashtra)—*(Annual Capacity)* Hotel Room type Thermostats (On-off)—10,000 nos; Motorised fan oil unit Valves (Silent type)—10,000 nos; Thermostats (Proportional Type)—2,000 nos; Thermostats (multistage type)—2,000 nos; Humidstats (Hair Nylon Element)—2,000 nos; Modutrol motors with link ages—3,000 nos; Modutrol motor operated valves—2,000 nos. —(NU)

M/s Hein Lehmann (India) Ltd; Mathura Road, Faridabad, Haryana. (Faridabad-Haryana)—Filter Packs, Discs & Tubes—Rs 40 lakhs p.a—(NA)

M/s Hindustan Boilers, 21, Hamam Street, Fort, Bombay. (Udhna, Surat-Gujarat)—Multi Mesh Disc Filters and Elements—3,20,000 nos. p.a—(SE)

M/s Bhukhanvala Diamond Tools Pvt. Ltd; Medows House, Nagindas Master Road, Fort, Bombay. (Andheri, Bombay-Maharashtra)—Diamond Dressers & Tools—25,000 nos. p.a.; Diamond Powder & Compound-50,000 carats p.a.; Diamond Grinding Wheels & Tools—5,000 nos. p.a.; Diamond Glass Cutters—40,000 nos. p.a.; Boron Nitride & Boron Carbide Wheels for Grinding Hardened Steels. etc—5,000 nos. p.a.; Forming attachments for grinding machines for specified end uses—500 nos. p.a.; Matrix Chisels of Cones for Thread Grinding Machines—1,000 nos. p.a.—(NU)

Scientific Instruments

M/s British Physical Laboratories India Pvt. Ltd; 9-M.G. Road, Bangalore. (Bangalore-Karnataka)—Multi-Channel Cardiograph—30 units p.a.; Intensive-Care Units—12 units; Cardioscope—30 units p.a.; Combination Records—30 units p.a—(NA)

Chemicals (Other than Fertilizers)

M/s Hindustan Petroleum Corpn. Ltd; 17-Jamshedji Tata Road, Bombay. (Bombay-Maharashtra)—Rubber Processing Oil—10,000 tonnes p.a—(NA)

M/s Fertiliser Corpn. of India, Telchar Division, P.O. Talcher, Dist. Dhankanal, Orissa. (Orissa)—Argon Gas—0.96 m.c.m—(NA)

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitaldevi Temple Road, Mahim, Bombay-16. (Kalyan-Maharashtra)—Dyes fo Acrylic Fibres—175 tonnes p.a—(NA)

M/s Mico Farm Chemicals Ltd; 6, Linghi Chetty Street Madras-1. (Madras-Tamil Nadu)—Lindane technical—10 tonnes p.a—(NA)

M/s Chandigarh Gas Corpn., 75, Sector-5, Chandigarh (Chandigarh)—Oxygen Gas—0.45 m.c.m—(NU)

M/s Devi Dayal (Sales) Pvt. Ltd; Gupta Mills Estate, Rea Road, Bombay. (Bombay-Maharashtra)—Dimethoate Techni cal—250 tonnes p.a—(NA)

M/s Dai-Ichi Karkaria Pvt. Ltd; Liberty Building, Ne

Marine Line, Bombay. (Hyderabad-Andhra Pradesh)—Synthetic Detergent—10,000 tonnes (30% A.D.) p.a.—(NU)

M/s Fertilizer Corpn. of India Ltd; F-43, South Extension Area, Part-I, New Delhi-1. (Gorakhpur, Uttar Pradesh)—Argon Gas—2,88,000 cubic Meters p.a—(NA)

M/s Dai-Ichi Karkaria (P) Ltd; Liberty Building, New Marine Line, Bombay. (Mathura-U.P.)—Synthetic Detergents—10,000 tonnes (30 per cent A.D.) p.a—(NU)

M/s Bhagwati Oxygen Ltd; S-492-A, Greater Kailash, New Delhi. (Ballabgarh-Haryana)—Oxygen Gas—7,20,000 c.m. p.a—(NU)

Drugs & Pharmaceuticals

M/s Colour Chem Ltd; Ravindra Annexe, 134, Dinshaw Wachha Road, Bombay-29. (Bombay-Maharashtra)—Pyrozolones—52 tonnes p.a—(COB)

Mr. R. B. Amin, Director, M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Baroda-Gujarat)—Berberal Tablets—25,000,00 nos. p.a—(COB)

M/s Hico Products Pvt. Ltd; 771, Mogal Lane, Mahim, Bombay. (Thana-Belapur, Maharashtra)—Glycol Ethers—1,500 tonnes; Ethanolamines—1,000 tonnes; Morpholine—300 tonnes; Dimethyl Ethanolamines—65 tonnes; Dichloro Ethyl Ether—150 tonnes; Dialkyl Phenol Sulphides—40 tonnes; Ter-Butyl Cresols—25 tonnes; Lauryl Mercaptan—60 tonnes; Thiodipropionic Acid—6 tonnes; Butylated Hydroxy Anisole—6 tonnes; Ethylene Urea—180 tonnes; Propylene Urea—50 tonnes; Alkyl Carbonates—25 tonnes; Dibenzyl Disulphide—50 tonnes—(NA)

M/s Sunil Synchem Ltd; 76, Industrial Estate, Jhotwara, Jaipur-6. (Alwar-Rajasthan)—Empty Hard Gelatine Capsules—200 million nos. p.a—(NU)

Textiles

M/s The Nandi Hasbi Textile Mills (Pvt.) Ltd; Nargund, Dist Dharwar, Karnataka. (Nargund, Dharwar-Karnataka)—Cotton Yarn—25,000 spindles p.a—(SE)

Paper & Pulp

Mr. Vinod Kumar Maheshwari, N-118, Panch Sheel Park, New Delhi. (Meerut-Uttar Pradesh)—Writing & Printing Paper, Packing & Wrapping Paper & Board—16,500 tonnes p.a—(NU)

Mrs. Parkashwati, Saraswati Steel Rolling Mills, Tanda Road, Jullundur City. (Hoshiarpur-Punjab)—Packing Kraft Paper & Wrapping Paper & Boards—16,500 tonnes p.a—(NU)

Mr. Daya Shankar Gupta, 3/5, East Patel Nagar, New Delhi. (Muzaffarnagar-UP) — Writing & Packing Paper & Board—16,500 tonnes p.a—(NU)

Mr K. K. Lohia, 112, Chittaranjan Avenue, Calcutta-7. (Kalyani, Nadiad-West Bengal)—M.G. Kraft, Writing, Printing & Duplicating Paper—7,500 tonnes p.a—(NU)

Mr G. P. Kanudia, 365, Harrisganj, Kanpur. (Unnao-Uttar Pradesh)—M.G. Packaging, Wrapping Papers, Posters and Boards—7,300 tonnes—(NU)

Mr Mukesh Kumar, 36, Green Park, Jullundur City. (Hoshiarpur-Punjab)—Writing & Printing Paper—15,000 tonnes p.a—(NU)

Mr Suraj Mal Mohta, 2, Brabourne Road, Calcutta-1. (Chamba, Bilaspur, MP)—Kraft Papers, Duplex Boards & Industrial Papers—9,000 M. tonnes p.a—(NU)

Mr Avtar Krishna, Cassias, Flat-7, 21-22, Turner Road, Bandra, Bombay. (Bangalore-Karnataka)—M.G. Duplex Board & Packing, Wrapping Paper—7,500 tonnes p.a—(NU)

Mr Chandra Kumar Kanoria, 23-A, Netaji Subhas Road, (5th Floor), Calcutta. (Haryana)—Duplex Board & Kraft Linen—6,000 tonnes p.a—(NU)

M/s Associated Pulp & Paper Mills Ltd; Bavla (SR), Dist. Ahmedabad. (Ahmedabad-Gujarat)—Paper & Pulp—15,000 M. tonnes p.a—(SE)

Mr S. C. Batra, 15A/47, W.E.A., Karol Bagh, New Delhi. (Sitapur-Uttar Pradesh)—Corrugating Medium—7,620 tonnes p.a—(NU)

M/s Poddar Projects Ltd; 'Hong Kong', House, 31, Dalhousie Square(s), Calcutta. (Jeypore, Koraput-Orissa)—MG and MF Wrapping Paper & Kraft Paper—10,000 tonnes—(NU)

Sugar

M/s Mysore State Industrial Investment & Dev. Corpn. Ltd; 36, Cunnighem Road, Bangalore. (Bhadravati, Shimoga-Mysore)—Sugar—1,250 tonnes p.a—(NU)

M/s Kessar Sugar Works Ltd; Baheri, Dist. Bareilly. (Bareilly, Uttar Pradesh)—Sugar—3,000 tonnes—(SE)

Vegetable Oil & Vanaspati

M/s Jayalakshmi Cotton & Oil Products (P) Ltd; Amravati Road, Gorantala Village Units, Guntur. (Guntur-Andhra Pradesh)—Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NU)

Rubber Goods

M/s Raghbir Cycle Industries (Regd), Partap Nagar Industrial Area-D, Ludhiana. (Ludhiana-Punjab)—Bicycle Tyres—3 .5 lakh nos. p.a; Bicycle Tubes—14 lakh nos. p.a—(COB)

Cement & Gypsum Products

Mr M. Basavarajappa, 341, Rajamahal, Vilas Extension, Bangalore-6. (Almatti, Bijapur-Karnataka)—Cement—4 lakh tonnes p.a—(NU)

M/s Panyam Cements & Mineral Industries Ltd; Cement Nagar, P.O., Via Bugganipalli R.S., Kurnool. —(Tadpatri, Anantpur-Andhra Pradesh)—Portland Cement—4 lakh tonnes p.a—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Wyman Gordon India Ltd; P-41, Majiwade, Thana, Maharashtra. (Nagpur-Maharashtra)—Forging Quality Steels—8,000 tonnes p.a—(SE)

M/s Agarwal Steel Complex Ltd; 167, Chittaranjan Avenue, Calcutta-7. (Serampore, Hoogly, West Bengal)—High Manganese Steel Castings—1,000 tonnes; Alloy Steel Castings—1,000 tonnes; S. G. Iron Castings—1,000 tonnes p.a—(NU)

M/s VMA & Associates, S-318, Panchshila Park, New Delhi. (Medak-Andhra Pradesh)—Alloy Steel Castings—500 tonnes p.a.; Alloy Iron Castings—500 tonnes p.a.; S.G. Iron Castings—500 tonnes p.a—(NU)

M/s EMC Steel Ltd; 3-A, Auckland Place, Calcutta-17. (Haldia-West Bengal)—Transmission Towers—15,000 tonnes p.a—(NU)

Electrical Equipment

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—Precision Servo Components including Electrical & Fluidic type of Transducers, Prime Movers, Amplifiers & Hardware—Rs 84 lakhs p.a.; Instrument type Motors—Rs 40 lakhs;

Instrument type Generators—Rs 81 lakhs p.a; Servo Systems Packages—Rs 70 lakhs—(SE)

The Director, N.G.E.F. Ltd; Old Madras Road, Byappanahalli, Bangalore. (Bangalore-Karnataka)—Condenser Bushings of the range of 132 KV to 420 KV—300 Nos. p.a—(NA)

M/s Tamil Nadu Industrial Dev. Corpn. Ltd; 150-A, Anna Salai, Madras. (Tamil Nadu)—G.L.S. Lamps—7.5 mill. nos; Fluorescent Tubes—0.6 Mill. nos—(NU)

M/s Union Electric Co, L-38, Connaught Place, New Delhi. (Delhi)—Miniature Circuit Breakers (415V, AC, 5-100 Amps)—2 lakh nos. p.a—(NU)

M/s Electronics Corpn. of India Ltd; Industrial Dev. Area, Cherlapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—Closed Circuit Television Systems—Rs 100 lakhs p.a—(SE)

M/s Poddar Services Ltd; (Hong Kong House, 31, Dalhousie Square(s), Calcutta-1. (Maharashtra)—Mica Paper—300 M. tonnes; Micanites/Mica Felieum/Mica Tapes—200 M. tonnes—(NU)

M/s Ruttonsha International Rectifiers Pvt. Ltd; International House, Lal Bahadur Shastri Marg, Vikhroli, Bombay. (Bombay-Maharashtra)—High Power Silicon controlled rectifiers (Over 30 Amps)—20,000 nos. p.a; Low Power Silicon Controlled Rectifiers (less than 30 Amps)—2,00,000 nos. p.a—(NA)

M/s Aluminium Industries Ltd; No. 1, Ceramic Factory Road, Kundara Post Office, Alleppy. (Chengannur-Kerala)—Circuit Breakers above 66 KV upto and including 130 KV—30 nos. p.a; Current transformers above 66 KV upto and including 130 KV—180 nos. p.a—(NA)

M/s Khandelwal Herrmann Electronics Ltd; Khandelwal Estate, Bhandup, Bombay. (Bombay-Maharashtra)—Static AC/DC Convertors upto 200 KW—400 nos. p.a; Static Power Invertors upto 200 KW—100 nos. p.a—(NA)

M/s Sekhar Electronics Pvt. Ltd; 36, Fourth Main Road, Malleswaram, Bangalore. (Bangalore-Karnataka)—High Temperature Heating Elements (Graphite Silicon Carbide based)—42,000 nos. p.a—(NU)

M/s M.P. Agricultural Corpn, Opposite Motor Stand, Raipur. (MP) (Madhya Pradesh)—DC Machines—4000 nos. p.a; Jet Pumps—1000 nos. p.a; Subersible Pumps—2500 nos. p.a—(NU)

M/s Satellite Engg. Ltd; P.O. Maize Products, Kathiwada, Ahmedabad. (Ahmedabad-Gujarat)—Lead-in-wires—20 mill. pcs. p.a—(NA)

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—Precision Potentiometers & Dials—12,000 nos. p.a; Professional Grade Panel & Trimming Pots—1,80,000 nos; Defence Grade Wire Wound Resistors—2 lakh nos. p.a—(NA)

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—25 MHz Rectangular CRT—5,000 nos. p.a; 50-100 MGz Rectangular CRT—3,000 nos. p.a; Special Purpose CRTs. (Storage Type)—2,000 nos. p.a—(NA)

M/s Aluminium Industries Ltd; No. 1, Ceramic Factory Road, Kundara. (Mannar, Alleppy-Kerala)—220 KV Circuit Breakers—33 nos. p.a.—(NA)

M/s Andhra Pradesh Industrial Development Corpn. Ltd; B-1-174. Fateh Maidan Road, Hyderabad. (Hyderabad-Andhra Pradesh)—Ordinary P.C. Boards—5,000 Suqare meters p.a; Double-side Planted through Hole P.C. Boards—5,000 sq. meters p.a.—(NU)

Telecommunication

M/s Indian Telephone Industries Ltd; Doorvaninagar, Bangalore. (Palghat-Kerala)—Electronic Private Automatic Branch Exchange (PABX) and Rural Automatic Exchange Equipment—17,500 lines p.a. (NU)

Transportation

M/s R.K. Sharma, T-32, Green Park, First Floor, New Delhi. (Sikandrabad, Bulandshahar-UP—Bicycle Rims—6 lakh nos; Chain Wheel Crank Assembly for Bicycles—6 lakh sets—(NU)

M/s Swastic Rubber Products Ltd; 'Swastic House', Behind Kirkee Railway Station, Khadki, Poona. (Poona-Maharashtra)—Pneumatic & Hydraulic Assemblies for Automobiles—1 lakh nos. p.a.—(NA)

Mr Suresh K. Shah, Raman House, 169, Backbay Reclamation, Bombay. (Gujarat)—Cylinder Head Castings, Engine Block Castings, Other types of castings (total capacity)—6,000 tonnes—(NU)

Industrial Machinery

M/s Lakshmi Card Clothing Manufacturing Co. Pvt Ltd; Kuppuswamy Naidupuram, Coimbatore. (Coimbatore-Tamil Nadu—Metallic Card Clothing—8,000 sets p.a; Lickerin Wire—42,000 Kgs.; Tops—8,000 sets p.a.—(SE)

Mr V.J. Jayaraman, B.Sc.,B.S; (Text. Engg.), 9, A.T.T. Colony, Coimbatore. (Tamil Nadu)—Crop Shearing & Cropping Machines—9 machines p.a.—(NU)

Mr N. Kumar, 115/2, Moubraya Road, Madras. (Madras-Tamil Nadu)—Mechanical Seals—15,000 nos. p.a—(NU)

M/s Air Control & Chemical Engg Co Ltd; Raghuvanshi Mills Compound, 11/12, S. Bapat Marg, Ahmedabad. (Ahmedabad-Gujarat)—Machinery for Manmade Fibre—3,300 tonnes p.a.—(NA)

M/s T. Maneklal Manufacturing Company Ltd; Vaswani Mansion, Dinshaw Vachha Road, Bombay. (Ahmedabad-Gujarat)—Vacuum Impregnating Machines—20 nos. p.a—(NA)

Mr Ashok Kumar Jain, E-82, Ashok Vihar, Phase-I, Delhi-52. (Hissar-Haryana)—Complete Flour Milling Plants & Components thereof—2,000 tonnes p.a.—(NU)

Mr Ashok Prasad, Hirak Housing Cooperative Society, 96/13, Swami Vivekananda Road, Vile Parle, Bombay, (Bombay-Maharashtra)—Dished Ends & Flanged Ends—2,600 tonnes p.a.—(NU)

Machine Tools

M/s Machine Tool Corporation of India Ltd; P.B. No. 69, Beamer Road, Ajmer (Ajmer-Rajasthan)—Centre Lathes—100 nos. p.a.—(NA)

Chemicals (Other than Fertilizers)

M/s Motilal Padampat Udyog Ltd; 'Vanaspati Branch', Gutaiya, Kanpur. (Kanpur—Uttar Pradesh)—Oxygen Gas—0.2888 M.C.M.—(NA).

Mr S. S. Sankaralingam, Managing Director, Sundaravel Match Industries (P) Ltd; Sivakasi. (Sivakasi, Tamilnadu)—Red Phosphorus—300 tonnes p.a—(NU)

M/s Alta Laboratories Pvt Ltd; Alta Bhavan, 532, Senapati Bapat Marg, Dadar, Bombay. (Kolaba-Maharashtra)—Benzyl Salicylate—60 tonnes.

M/s Suraj Industrial Packing Ltd; Sriniketan, Gurdwara Road, Lucknow. (Milani-Uttar Pradesh)—Caustic Soda—15,000 tonnes—(NU)

M/s Nagaland Pulp & Paper Co Ltd; P.O. Tuli, Nagaland. (Tuli-Nagaland)—Caustic Soda—4,000 tonnes; Chlorine—3,650 tonnes—(NA)

M/s Hindustan Paper Corpn Ltd; D-44, N.D.S.E. Part-II, New Delhi-49. (Jagi Road, Assam)—Caustic Soda—16,500 tonnes; Chlorine—15,000 tonnes p.a; Hydrochloric Acid (10 per cent)—330 tonnes p.a—(NA)

Dr. Nirmal, Nirmal Chemicals, Balaji Road, Surat. (Broach-Gujarat)—Sodium Potassium Phosphate (Chemically Pure C.P. Grade)—100 tonnes; Cinnamic Aldehyde—5 tonnes; Sodium/Calcium Propionate—50 tonnes; Anisic Aldehyde—5 tonnes; Acetyl Acetone—100 tonnes; Glycerine B.P.—25 tonnes; Carbolic Acid (Chemically pure C.P. Grade)—10 tonnes; Resublimed Iodine—0.5 tonnes; Butyl Oxide—5 tonnes; Isopropyl Oxide—15 tonnes; Ethly Palmitate—5 tonnes; Laboratory Chemicals (Details as per Annexure)—100 tonnes—(NU)

M/s Cynamid India Ltd; Nyloc House, 254-D2, Dr. Annie Besant Road, P.O. Box No 9109, Bombay-25DD. (Bulsar-Gujarat)—Paddigard (7.5 grammes)—250 tonnes (in terms of technical material) p.a—(NA)

M/s Bharat Aluminium Co Ltd; F-41, N.D.S.E., Part-I, New Delhi. (Bilaspur-Madhya Pradesh)—Caustic Soda—27,000 tonnes—(NA)

M/s Alta Laboratories Pvt Ltd; Alta Bhavan, 532, Senapati Bapat Marg, Dadar, Bombay. (Kolaba-Maharashtra)—Ortho Anisidine—240 tonnes—(NA)

Drugs & Pharmaceuticals

Mr G.M. Swamy, Chief Promoter, M/s Southern Medico Industrial Chemicals, 15, Fourth(A) East Cross Road, Vellore, North Arcot. (Walajapet, N-Arcot-Tamil Nadu)—Salicylic Acid—50 tonnes; Acetyl Salicylic Acid—90 tonnes; Methyl Salicylate 50 tonnes; Sodium Salicylate—50 tonnes; Acetic Acid (Recovery from Acetyl Salicylic Acid Plant)—30 tonnes p.a—(NU)

M/s Glaxo Laboratories Ltd; Dr Annie Besant Road, Worli, Bombay-25. (Bombay-Maharashtra)—Solubutamol base and formulations thereof within the company's existing overall capacity for formulations—100 Kgs in terms of technical material p.a; Inhalers of Solbutamol—12.5 Kg—(NA)

Dr K. A. Reddy, M/s Uniloids Ltd; 3-6-254, Himayatnagar, Hyderabad. (Hyderabad-Andhra Pradesh)—Metronidazole & the formulations thereof—10 tonnes p.a; Thicacetazone and the formulations thereof—10 tonnes p.a—(NU)

Mr P.J. Menezes, Rua San Tome, Panjim, Goa. (Goa-Goa, Daman & Diu)—Levophed—3 Kgs; Phenylephrine—5 Kgs; Glycobiarsol—2. tonnes; Sodium Polyhydroxy Aluminium Monocarbonate—20 tonnes Hexatol Complex. Naldixic Acid—2.5 tonnes—(NA)

Textiles

M/s Poddar Projects Ltd; Hongkong House, 31, B.B.D. Bag(s), Calcutta-1. (24 Paraganas-West Bengal)—Installation of 4 Warp Knitting machines for the manufacture of Fabrics out of man-made fibre/cotton yarn corresponding to a total consumption of 80 tonnes of Caprolactum per annum—(NA)

M/s Woolcombers of India Ltd; 31, Netaji Subhas Road, Calcutta-1. (Goa)—Worsted Woollen Yarn—7200 spindles; Woollen Fabrics—52 looms—(NA)

M/s Modi Spg & Weaving Mills Co Ltd; Modinagar. (Modinagar-UP)—Cotton Terry Towels—150 imported Terry Towel looms—(SE)

Paper & Pulp

M/s Invecon (P) Ltd; 173, Golf Link, New Delhi. (Mysore-Karnataka)—Packing, Wrapping Paper & Board—(NU)

Mr S.K. Agarwal, 4, Hungerford Street, Calcutta-7. (Dhenkanal-Orissa)—M.G. Kraft, Writing, Printing, Duplicating, Cartridge, Bank and Bond Papers—7,500 tonnes p.a—(NU)

Mr Benoy Bhusan Bose, c/o Jindal Rubber Pvt Ltd; 1/23, B-Asaf Ali Road, New Delhi-1. (Ghaziabad-UP)—Kraft Paper, Packing Paper & Kraft Liner—6,000 tonnes p.a—(NU)

Mr Jasubhai Ramniklal Shah, M/s Industrial Publications, Taj Building, 3rd Floor, 210, Dr D.N. Road, Bombay-1. (Panchmahal/Broach-Gujarat)—Duplex Board—7,300 tonnes—(NU)

Mr D.P. Kappal, 604, Rohit House, 3, Tolstoy Marg, New Delhi. (Rupar-Punjab)—Corrugating Medium—5,500 tonnes—(NU)

M/s Invecon Private Ltd; 173, Golf Links, New Delhi. (Barwaha, West Nimar-Madhya Pradesh)—Packaging & Wrapping Paper—3,300 tonnes p.a—(NU)

Mr Ram Nath Gupta, Nand Puri, Gill Road, Ludhiana-3. (Ludhiana-Punjab)—Kraft Paper—8,000 tonnes p.a—(NU)

Mr Satya Narain Bhartia, C-8/6, Vasant Vihar, New Delhi. (Alwar-Rajasthan)—Kraft Paper (for packing)—10,000 tonnes p.a—(NU)

Mr K.K. Maheshwari, 1/7, Deshbandhu Gupta Road, New Delhi-55. (Chattisgharh-Madhya Pradesh)—Packing & Wrapping Papers & Boards—3,650 tonnes p.a—(NU)

M/s Sarda Plywood Industries (P) Ltd; 9-Parsee Church Street, Calcutta-1. (Kolaghat, Midnapur, West Bengal)—Packing & Wrapping Papers & Boards—3,650 tonnes p.a—(NU)

M/s Ajanta Paper & General Products Pvt Ltd; Vadavli, P.O. Kalyan, Maharashtra. (Midnapur-West Bengal)—Tissue, Wrapping & Packaging Paper—6,000 tonnes p.a—(NU)

Mr Naresh Kumar Garg, 5-Ring Road, Lajpat Nagar-IV, New Delhi-24. (Gurgaon-Haryana)—Packing, Wrapping, Corrugating Paper and Boards—7,500 tonnes p.a—(NU)

Food Processing Industries

Mr Ved Brat, 39-C, Prem House, Connaught Place, New Delhi. (Bulandshahr-UP)—Texturised Vegetable Protein—15,000 tonnes p.a—(NU)

M/s Taj Bajina Promoters & Consultants, Plot No. 32, Block No.116, Above Bank of India Varsova Branch, J.P. Road, New Dhakey Colony, Andheri West, Bombay. (Umargaon, Bulsar-Gujarat)—Processed Marine Products—3,000 tonnes p.a; Canned/Frozen Meat Products (Poultry, Mutton & Buffalo only)—3000 tonnes pa; Canned Fruit and Vegetables—3000 tonnes pa; Sauces and Pickles—600 tannes p.a.—(NU)

M/s India Tobacco Co Ltd; 37, Chowringhee Calcutta. (Dapoli-Maharashtra) (Haldia-West Bengal) (Paradeep-Orissa)—Processed Marine Products—3,000 tonnes at each of the three locations p.a—(NU)

M/s E.I.D. Parry Ltd; 'Darihouse', P.B. No 12, Madras. (Cochin-Kerala) (Madras, Cuddalore, Tuticorin-Tamil Nadu) (Mangalore-Karnataka) (Vizag & Kakinada-Andhra Pradesh) (Veraval-Gujarat)—Processed Marine Products & Bye Products—4,200 tonnes p.a—(NU)

Vegetable Oils & Vanaspati

Mr K.S. Kamala Kannan, No 48, West Mada Churh Street, Royapuram, Madras-13. (Tamil Nadu)—Cotton Seed Oil—30,000 MT p.a. in terms of Cotton Seed—(NU)

Rubber Goods

Mr G. B. Chandy, Hemea Corporation, Kalamassery, Cochin-22. (Ernakulam-Kerala)—Rubber to Metal Moulded Products Rubber Lining & Moulded & Extruded Rubber Goods—450 tonnes p.a—(SE)

M/s Power Cables (P) Ltd; 24, Brelvi Sayed Abdulla Road, Bombay. (Nadiad, Gujarat)—Rubber Mounts, Rubber Isolators & Spring Mounts—450 tonnes p.a—(NU)

M/s Swastik Rubber Products Ltd; Swastik House, Behind

Khandki Railway Station, Khadki, Pune-3. (Pune-Maharashtra)—Rubber to Metal Bonded Articles—600 M.T p.a—(SE)

M/s Swastik Rubber Products Ltd; (Swastik House), Behind Khadki Railway Station, Khadki, Pune-4. (Khadki, Pune-Maharashtra)—Household Rubber Gloves—6 lakh pairs p.a—(NA)

Leather & Leather Goods

Mr Chittibamna Ranga Rao, Adivaram Pet, Eluru, West Godavari Distt. (Eluru, W. Godavari-Andhra Pradesh)—Finished Leather (from Goat & Sheep Skins)—3 lakh nos. p.a—(NU)

Mr Azad N. Parikh, 24, Vijay Mahal, D-Road, Bombay-20. (Chembur-Maharashtra)—Finished Leather from Skins—6 lakhs nos. p.a—(NU)

Ceramics

Mr L.D. Daga, 'Shri Sadan', 15, Narayan Dabholkar Road, Bombay. (Karnataka—Green Silicon Carbide—24,000 tonnes p.a—(NU)

Mr Vivek N. Bhaskar, P.O. Ishwar Nagar, New Delhi. (Ballabgarh-Haryana)—Refractory Monolithics & Bonds—20,000 tonnes p.a—(NU)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/s West Bengal Industrial Development Corpn Ltd; Calcutta-1—to—M/s West Bengal Electronics Industry Development Corpn Ltd; Calcutta.

From M/s Finelex Cables Ltd; Poona-13—to—M/s Finolex Cables Ltd.

From M/s India Tobacco Co Ltd; Calcutta—to—M/s I.T.C. Ltd; Calcutta.

Licences/Registration Certificates Revoked or Surrendered

(Information pertains to particular licences only)

M/s Jaipur Udyog Ltd; New Delhi—Portland Cement. (Revoked)

M/s Buckau-Wolf New India Engineering Works Ltd; Poona—Hydraulic Presses. (Cancelled)

The Punjab State Industrial Development Corpn Ltd; Sector 17-A, Post Box No 81, Chandigarh—R.V. Receivers. (Revoked)

Letters of Intent Revoked or Surrendered

(Information pertains to particular letters of intent only)

The District Magistrate, District Champaran, Tehsil Madhubani, Betlich Sub-Division, Bihar. (Bihar)—Sugar.

Mr V. Kumar, c/o Mr J.M. Kapur, C-383, Defence Colony, New Delhi. (Haryana)—Automobile Contact Sets.

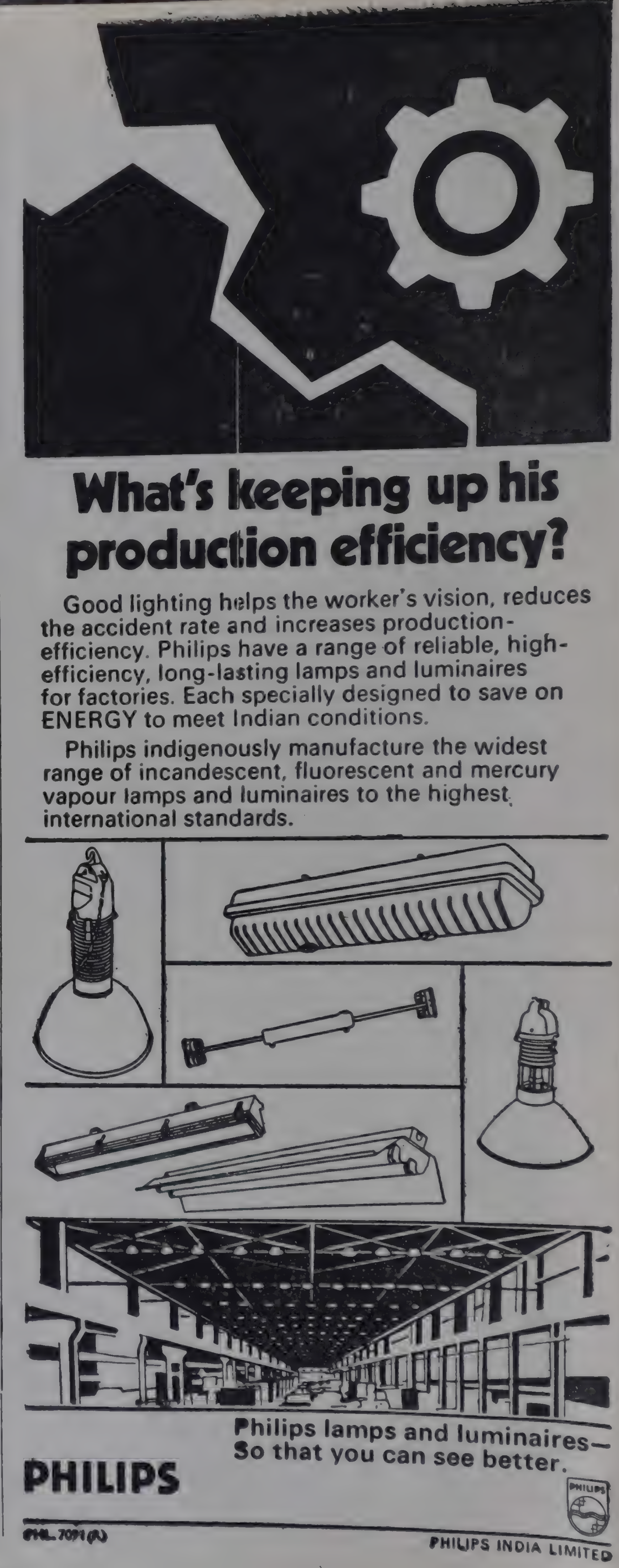
M/s The New Standard Engg Co Ltd; Bombay. (Maharashtra)—Roller Flour Mill Machinery.

M/s Air Coils Manufacturing Co Ltd; Sonawala Cross Road Goregaon (East), Bombay-63. (Gujarat)—Integral Finned Tubes of Stainless Steel, Copper, Brass & Aluminium.

Mr Vipin B. Khimji, c/o Akay Industries, P.B. No. 6557, Worli, Bombay. (Mysore)—Pumps.

M/s Usha Breco Ropeways Ltd; Ansal Bhavan, 16-Kasturba Gandhi Marg, New Delhi. (Bihar)—Transmission Towers.

Mr Gulshan Rai Chawla, 25/6, East Patel Nagar, New Delhi. (Haryana)—PVC Pipes, Fittings, etc.



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India, Iran stress community of interests

THE INDO-IRANIAN joint communique issued at the end of the Shah of Iran's state visit to India affirms the scope for greater economic and cultural cooperation among the littoral states of the Indian Ocean. While calling upon the super-powers to leave the Indian Ocean free of tension and rivalry, the communique stresses that the peace and security of the area should be the concern and responsibility of the states in the region.

Following is the text of the joint communique issued on October 4 at the end of the Shah's visit :

At the invitation of the President of India, Mr Fakhruddin Ali Ahmed and Begum Abida Ahmed, His Imperial Majesty, Mohammad Reza Pahlavi Aryamehr, the Shahanshah of Iran and Her Imperial Majesty Farah Pahlavi the Shahbanou of Iran, paid a state visit to India from October 2 to 4, 1974.

The visit of His Imperial Majesty Mohammed Reza Pahlavi Aryamehr and Her Imperial Majesty the Shahbanou of Iran is a manifestation of the very close and friendly relations existing between the two countries and the common will of the two peoples to expand and deepen their co-operation in all fields.

His Imperial Majesty the Shahanshah Aryamehr held detailed discussions with Mrs Indira Gandhi, the prime minister of India, on matters of international significance, mutual interest and bilateral co-operation. In these talks, the Foreign Minister of Iran H. E. Dr Abbas Ali Khalatbari the Ambassador of Iran in India, H. E. Mr Mohammad Goodarzi, H. E. Hormoz Gharib and other senior officials of the Imperial Government of Iran also participated; and from the Indian side the Foreign minister, Mr Swaran Singh, the Foreign secretary, the ambassador of India in Iran and other senior officials of the government of India.

These talks confirmed the close similarity of views of the two countries on international matters, on regional questions and on bilateral relations between Iran and India.

His Imperial Majesty and the prime minister reviewed the international situation and noted with satisfaction the global trend towards detente and negotiations. However, they observed with regret, that there still existed explosive situations of conflict and tension in other areas of the world, such as in the middle east and Indo-China.

His Imperial Majesty and the prime minister expressed the hope that the same process of detente would also be extended to all areas of the world.

They reaffirmed their conviction that a peaceful and secure world order can only be achieved by strict adherence by all countries to the principles of the UN charter, non-interference in the internal affairs of other nations, respect for their sovereignty and territorial integrity, and the inadmissibility of the use of force in international relations for settling outstanding disputes or obtaining territorial gain.

The prime minister of India explained recent developments and initiatives taken towards the normalisation of relations among the countries of the subcontinent. His Imperial Majesty welcomed these developments. Both sides expressed their conviction that the success of such measures would contribute not only to friendship and co-operation in the subcontinent but also to the stability of the region and to world peace.

Iran and India welcomed the admission of Bangladesh to the United Nations and looked forward to Bangladesh playing its rightful role in the world community. The two sides expressed their sympathy at the loss of life and property caused by the devastating floods in Bangladesh.

His Imperial Majesty and the prime minister discussed developments in the Indian Ocean area. India and Iran were both members of the UN ad hoc committee on the Indian Ocean; they noted with satisfaction that the concept of the Indian Ocean as a zone of peace free from great power rivalry, tension and military escalation was gaining wider acceptance and support and that there was a growing realisation among states that the implementation of the UN resolutions in this regard would contribute towards strengthening international peace and security and promoting the true interests of the littoral states of the Indian Ocean. They called upon the great powers to extend their co-operation in establishing the Indian Ocean as a zone of peace. They agreed that the peace and security of these areas should be the concern and responsibility of the littoral states, and that there should be full co-operation among them to achieve this objective.

During the discussions, His Imperial Majesty outlined the increasing importance of the security and stability of the Persian Gulf and the Straits of Hormoz. His Imperial Majesty and the prime minister were in full agreement that peace and tranquility of this region should be maintained and safeguarded by co-operation among the littoral states and that any issues which may exist should be settled in accordance with the UN charter and without interference from outside.

His Imperial Majesty and the prime minister considered the situation in the middle east and believed that the continuing crisis posed a serious threat to world peace. They urged the need for a just and lasting solution to the Arab-Israeli conflict in accordance with the UN Security Council Resolution No. 242 of November 22, 1967 and the ensuing resolutions in this regard, as well as for the realisation of the legitimate rights of the Palestinian people.

His Imperial Majesty and the prime minister considered the situation in Cyprus, Reiterating their support to the independence, sovereignty and territorial integrity of Cyprus, they called for the fulfilment of the resolutions of the Security Council on Cyprus, and expressed the view that the future political arrangements in Cyprus should be worked out through consultations between the two communities in a peaceful climate free from external pressures or interference.

His Imperial Majesty and the Prime Minister considered the situation in Indo-China and expressed their sincere hope that a peaceful solution will be found to the problems of the area through negotiations without interference from outside.

Reviewing the situation in Vietnam, they agreed on the urgent need for the full implementation of the Paris Agreement by the parties concerned in order to restore peace and tranquility in that region and enable the people to live free from suffering and war.

The two sides welcomed the recognition of the independence of Guinea-Bissau by Portugal, the decision to grant independence to Mozambique and the steps towards decolonisation being taken in respect of Angola. They hoped that the last vestiges of colonialism in any form as well as all types of racial discrimination would disappear in the shortest possible time.

While reviewing the question of the peaceful uses of nuclear energy, His Imperial Majesty and the prime minister stressed the importance of harnessing nuclear power for economic development and human welfare and of ensuring that access to nuclear technology for peaceful purposes does not remain confined to a few countries.

His Imperial Majesty and the prime minister also agreed on the necessity of achieving complete and universal disarmament including nuclear disarmament under effective international control. In this connection, the prime minister welcomed the proposal of His Imperial Majesty to the 29th session of the United Nations General Assembly for the establishment of nuclear-weapon-free-zone in the middle east and expressed Indian government's support for this proposal.

His Imperial Majesty explained the situation on the western borders of Iran and the apprehension that the present situation and the repetition of these border incidents would lead to instability and endanger the peace of this region.

The Indian side expressed full understanding of the dimensions of the problem. His Imperial Majesty and the prime minister, recalling the Security Council Resolution No. 348, emphasised the need to resolve the problem as early as possible in accordance with the rules and norms of international law and practice and the principles of the UN charter.

The two leaders discussed in detail the problems created by the world economic crisis, particularly world inflation, which had more severely affected the economies of the developing countries. The prime minister of India conveyed India's appreciation and support for the initiatives taken by His Imperial Majesty to tender organised international assistance, such as the proposal for establishing a Special Fund, to countries whose balance of payments had been seriously affected by these developments.

His Imperial Majesty and the prime minister agreed that there was scope for greater economic and cultural cooperation within the region as a whole covering the littoral countries of the Indian Ocean. They agreed that such cooperation would promote increased trade, greater regional self-reliance and the fuller utilisation of the mineral, natural and manpower resources of the region for the benefit of the people of all the countries concerned.

His Imperial Majesty and the prime minister of India reviewed the progress of economic, technical and commercial co-operation between their two countries and noted with satisfaction that considerable progress has been made in these fields, notably in respect of the Kudremukh iron ore project and the alumina and joint shipping line projects. They have directed their respective agencies in the two countries to expedite the implementation of these projects and others which are under consideration, such as the maximisation of production in selected industries in India for supply to Iran, the manufacture of printing paper in India, the supply of railway equipment and the production of other commodities such as cement, etc. They were of the firm view that efforts should continue and be intensified to expand the areas of cooperation for the benefit of the two countries.

His Imperial Majesty, the Shahanshah and the Shah-

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anou expressed their deep ppreciation for the warm nd friendly welcome exten-ed to them and to the mem-ers of their party by the overnment and people of India. Their Imperial Majesties extended an invitation to the President of India and Begum Abida Ahmed to visit Iran. The invitation was accepted with pleasure.

The challenge of food and population

THE FOLLOWING is the text of a message from Mr William H. Draper Jr, Honorary Chairman, Population in Crisis Committee, Washington, D.C., USA, on the world food and population crisis :

I am happy to report that the World Population Conference in Bucharest, which ended three weeks ago after many ups and downs, was in the end a real success, and marked a great step forward. A World Population Plan of Action designed to improve the quality of life of the peoples of the world, and looking toward a humanitarian solution of the world's population problems, was adopted by consensus of the 135 governments participating. Population policies were seen as an integral part of economic and social development. Only the Holy See registered dissent from the Plan.

Kurt Waldheim, Secretary-General of the United Nations, who opened the Conference, said, "This is one of the most important Conferences the United Nations has ever organised. I hope it will make an important contribution to the solution of the problem of the discrepancy between the growing population all over the world and the shortage of food."

The Conference did make an important contribution just as the Secretary-General had hoped. The head of the United States delegation, Secretary of Health, Education and Welfare Caspar Weinberger, hailed the Plan as a "landmark advance in international understanding and agreement on population matters."

The Plan of Action as adopted at Bucharest is, of course, not a perfect document. International agreements seldom are, since they must reflect many national points of view, differing ideologies, and many political compromises. But the key sections of the Plan, in my judgement, are extremely important and I quote them below:

"29... It is recommended that all countries:

"(a) Respect and ensure, regardless of their over-all demographic goals, the right of persons to determine, in a free, informed and responsible manner, the number and spacing of their children;

"(b) Encourage appropriate education concerning responsible parenthood *and make available to persons who so desire advice and means of achieving it*; (*italics mine*)

"37...Countries which consider their birth rates detrimental to their national purposes are invited to consider setting quantitative goals and implementing policies that may lead to the attainment of such goals by 1985."

So the Conference has reaffirmed the basic human right of all people to determine the number and spacing of their own children, and, so that this right could be effectively exercised, has recommended that all countries provide the necessary advice and means to all who wish such help. A brief summary of the highlights of the World Population Plan of Action is included with this message.

The Plan as adopted by the World Population Conference, under the leadership of its Secretary-General, Antonio Carrillo-Flores of Mexico, clearly indicates, as many Third World Delegates emphasized, that population policies must be seen as a means and not an end in themselves. At the same time, it also clearly calls for family planning programme. While recognizing the sovereignty of every government to determine its own population policies and programmes, the Plan nevertheless recommends international cooperation, which would point toward a worldwide population programme.

The present trend toward support of this effort is very clear. Practically all the Asian Governments now recognize the serious nature of their population problems and are already endeavouring to provide the necessary information and services to their people.

And at Bucharest, to the surprise of many, the largest country in Latin America, Brazil, announced that it would now begin to furnish both the information and the means to those couples who could not pay for them but desired to limit the number of their children.

So in Latin America — Brazil, Mexico, Colombia and Venezuela — countries representing nearly two-thirds of the population of that continent are already committed to this important recommendation of the Plan.

In Africa, Egypt, Tunisia, Ghana, and Kenya also recognize the desire of many of their own people to limit the size of their families for health or economic reasons, and are ready to help them do so.

The progress made during the past three years in governmental understanding of the population problem and in recognizing the wish of many people for smaller families has been quite remarkable. A satisfactory World Plan of Action has now been adopted by general consensus, and its series of recommendations have been taken back to the capitals of 135 governments for consideration. How they respond, and how quickly and with what priority they act will determine how much progress will actually be made, and how soon family planning services will actually become available generally for the people of the world.

The point was of course made at Bucharest that making family planning services available to people everywhere will not necessarily solve the world's population problem. It would establish the basic groundwork. But it will also require changes in traditional patterns and increased motivation on the part of many millions of couples for smaller families. Therefore, far more education and efforts toward appropriate motivation will be needed everywhere. Also, one resolution urged those countries — and groups within countries — consuming an excessive share of the world's resources to reduce this disproportionate share of consumption.

But now the Plan of Action must be implemented!

It will take first — favourable decisions and action by many governments — and then greatly increased resources from the richer countries in grants, and also from the tax resources of the developing countries themselves, as well as many thousands more of trained personnel to operate the many new or expanding national family planning programmes. Both the United Nations Fund for Population Activities and the International Planned Parenthood Federation will have greatly expanded roles and responsibilities, and hopefully, greatly increased resources. Rafael Salas, Executive Director of the Fund, as well as other members of the United Nations Family, and Julia Henderson, Secretary-General of the International Planned Parenthood Federation will play very important roles in the governmental and private sectors, respectively.

But above all, it will be the priority that governments themselves — and particularly the Heads of State—actually give to these programmes that will determine their success or failure.

In every country it is hoped that you who read this will press and encourage your own government to take action — strong and constructive and priority action — as soon as possible; action however which is consistent with whatever the particular population problem and the cultural situation of your country makes appropriate and desirable.

Recently, more than 2500 distinguished citizens from over 100 countries have signed a Declaration on Food and Population (which is reproduced below—Ed). They too can help immensely if they will also do all they can so that both the public and those in government understand what should be done, and the urgency of doing it now.

We particularly suggest that you all urge your own government to accept the Plan's basic recommendation, and by enacting a new law or by official proclamation announce publicly that the government will supply both the necessary information and the means to all couples who desire to limit or space their own children, *and will endeavour to make this family planning programme effective throughout the entire country as soon as possible but not later than 1985* — even though this date was not specifically included in the final Plan.

If many governments throughout the world will take some such action in the near future, the agreed Plan of Action will begin to have real meaning and real substance.

Finally, one of the resolutions adopted at the Bucharest Conference asked all governments to participate constructively in the World Food Conference to be held in Rome next November. Population increase has recently been outrunning world food production. Many hundred millions are still underfed — many in quite a few countries are now actually starving.

It is clear that in the short range more food must and can be grown — most developing countries should aim to be self-sufficient in food, and so themselves be safe. This means that higher priority must be given to the agricultural sector in many countries.

It is equally clear in the longer range that unless the world's population problem is solved — and this means eventually a stabilized, constant, non-growing population for the world as a whole — the food problem will someday get completely out of hand, and then mass starvation might become Nature's very unwelcome solution.

Unfortunately, as I see it, the preparatory proposals for the Food Conference do not suggest the need for reduction in population growth in order to look toward a long-term solution of the world's food problem. Since the earth is finite and food production cannot be increased indefinitely, we believe it would be desirable to suggest to all delegates to the World Food Conference that they support two broad principles:

(*a*) To grow more food in all food deficit countries to assure sufficient food at a reasonable nutritional level for their own people now and in the short range future for their growing population.

(*b*) To recognize and publicize the need in the longer run to reduce world population growth, and to therefore advocate governmental policies and action in all countries *now* toward that end.

In closing we continue to advocate more food production and lower population growth — and we ask your personal help in both directions. Discuss both problems with your friends — in and out of government. Something can be done to help in every country. So please do whatever you can now, before it is too late.

Highlights of the Bucharest Plan

Population policies and programmes are an integral part of economic and social development and should be directed toward the ultimate goal of improving the quality of life for all men, women and children. To this end, the World Population Conference recommends that:

1. Governments should develop national policies and programmes relating to the growth and distribution of their populations, if they have not already done so, and the rate of population change should be taken into account in development programmes.

2. Countries should aim at a balance between low rather than high death rates and birth rates.

3. Highest priority should be given to the reduction of high death rates. Expectation of life should exceed 62 years in 1985 and 74 years in 2000. Where infant mortality continues high, it should be brought down to at least 120 per 1000 live births by the year 2000.

4. Because all couples and individuals have the basic human right to decide freely and responsibly the number and spacing of their children, countries should encourage appropriate education concerning responsible parenthood and make available to persons who so desire advice and means of achieving it.

5. Family planning, and related services should aim at prevention of unwanted pregnancies as well as elimination of involuntary sterility or subfecundity to enable couples to achieve their desired number of children.

6. Where family planning programmes exist they should be coordinated with health and other services designed to raise the quality of life.

7. Countries which consider their birth rates detrimental to their national purposes are invited to set quantitative goals and implement policies to achieve them by 1985.

8. Developed countries should develop appropriate policies in population, consumption and investment, bearing in mind the need for fundamental improvement in international equity.

9. Because the family is the basic unit of society, governments should assist families as far as possible through appropriate legislation and services.

10. Governments should ensure full participation of women in the educational, economic, social and political life of their countries on an equal basis with men.

11. Countries which wish to increase their rate of population growth should do so through low mortality rather than high fertility, and possibly immigration.

12. To achieve the projected declines in population growth and the projected increases in life expectancy, birth rates in the developing countries should decline from the present level of 38 to 30 per thousand by 1985, which will require substantial national efforts and international assistance.

13. In addition to family planning, measures should be employed that affect such socio-economic factors as reduction in infant and childhood mortality, increased education particularly for females, improvement in the status of women, land reform and support in old age.

14. To assure needed information concerning population trends, population censuses should be taken at regular intervals and information concerning births and deaths should be made available at least annually.

15. Policies should be developed to reduce the undesirable consequences of excessively rapid urbanization and to develop opportunities in rural areas and small towns, recognizing the right of individuals to move freely within their national boundaries.

16. International agreements should be concluded to regulate the migration of workers and to assure non-discriminatory treatment and social services for these workers and their families.

17. National efforts should be intensified through expanded research programmes to develop knowledge concerning the social, economic and political interrelationships with population trends; effective means of reducing infant and childhood mortality; new and improved methods of fertility regulation to meet the varied requirement of individuals and

mmunities, including me-
ods requiring no medical
pervision; the interrelations
health, nutrition and repro-
ictive biology; and methods
r improving the admini-
ration, delivery and utili-
ition of social services, in-
uding family planning ser-
ces.

18. International, intergov-
rnmental and non-govern-
iental agencies and national
overnments should increase
eir assistance in the popula-
on field on request.

19. In exercising their so-
ereign right to determine their
opulation policies and pro-
rammes, governments should
o so consistent with human
ights and the effects of their
ational policies on the inte-
ests of other nations and of
nankind.

20. The Plan of Action
hould be closely coordinated
vith the International De-
elopment Strategy for the
Second United Nations De-
elopment Decade, reviewed in
lepth at five year intervals,
nd modified as appropriate.

Declaration on Food and Population

This is the text of a call to governments and people for action by concerned citizens from many parts of the world, which was signed by more than 2,500 distinguished citizens from over 200 countries and submitted to the UN Secretary General on April 25, 1974.

To, Governments, Organizations and Men and Women Everywhere. We, the Under, signed, Address this Declaration on Food & Population.

No link unites the family of man more than his need for food. For food is an essential condition of life, common to all people; wherever they are, whatever they do they share alike in this need.

The stark truth is that man's ability to produce food is not keeping pace with his need. Despite efforts by governments and the international community to solve world food problems, more people are hungry today than ever before.

Hundreds of millions of the world's people are undernourished. Population growth is adding 75 to 80 million more people each year, 200,000 each day. Within the next 25 years or so our present numbers of nearly 4 billion will be nearly 7 billion. They must all be fed.

The world food situation took a sharp turn for the worse in 1972 and 1973:

1. Stocks of grain have hit an all-time low since the end of World War II. Surplus stocks formerly held in reserve have nearly been exhausted and no longer offer security against widespread hunger and starvation.

2. Food prices have reached new highs. Last year, despite a record world harvest, escalating demand nearly doubled grain prices. The increasing cost of food threatens to cause serious hardship for many people already spending most of what they have on food.

3. Less of the cheaper protein foods, which normally supplement grain diets, is available. The world's fish catch and per caput production of protein-rich legumes, the staple diet in many countries, have declined.

4. Food shortages have created serious social unrest in many parts of the world and are particularly severe in countries where hunger and the diseases that thrive on undernourished bodies are prevalent. This scarcity has been aggravated by the consumption of more and more grain to produce meat, eggs and milk.

5. Mounting fertilizer and energy shortages are reducing food production in certain areas and increasing food prices.

In this new and threatening situation, a bad monsoon in Asia (which could occur in any year), or a drought in North America (like those in the 1930's and 1950's), could mean severe malnutrition for hundreds of millions and death for many millions.

This dangerously unstable world food picture, when seen against an unprecedented population increase, has created an immediate sense of urgency. The dangers of food shortages could remain a threat for the rest of this century — even if, hopefully, bumper crops in some years create temporary surpluses and even if the trend toward reduced birth rates becomes general throughout the world.

World food production in the years ahead must rise at least 2 per cent a year to keep pace with the present rate of population growth. But it must rise a good deal more if the world's people are to be provided with an adequate diet. This required annual increase in food production which is considerably greater than that which occurred during recent decades—and seems to be increasingly harder to achieve each year. But unless there is this necessary and continuous increase in food production, there will be even more hunger and malnutrition and soaring food prices.

The need to seek solutions is pressing. The nature of the problem, the precarious state of world food production made critical by predicted expectations of continued population growth, calls for concerted action by the world community. There is only one cure for hunger and that is food. No palliatives or panaceas in the form of reports or resolutions can alleviate the pain of empty stomachs that must be filled. International resolutions, however high-minded, are a mockery if they do not have a tangible impact on the human conditions.

The United Nations is now providing leadership on both these problems. In August the United Nations will convene the World Population Conference in Bucharest. In November it will convene the World Food Conference in Rome. These are the first occasions when governments have agreed to meet to consider these crucial questions and to consider taking action on them.

With those two conferences only a few months away, we urge governments, acting before, at and after these two global conferences, to consider realistic and purposeful measures such as the following:

1. Give high priority to programmes in each country which will increase the production of grains, legumes and other staple food crops; ensure the availability of protein-rich foods, particularly to the more vulnerable population groups; expand the production of fertilizer; and improve the opportunities for small farmers to make a reasonable living. Develop a comprehensive and constructive World Food Plan for adoption at the World Food Conference.

2. Support sound population policies relevant to national neeeds which respect national sovereignty and the diversity of social, economic and cultural conditions; accept and assure the human right of each couple to decide for themselves the spacing and size of their families;* and recognize the corresponding responsibility of governments to provide their peoples the information and the means to exercise this right effectively.** Embody these policies in a World Population Plan of Action to be agreed upon by governments at the World Population Conference.

3. Recognize that the interdependence of the world community creates an obligation to assist in the necessary funding of food and population programmes by both developing and developed countries. This calls for the elaboration and implementation of a global strategy by the United Nations and its family of agencies, including the Food and Agriculture Organization of the United Nations and the United Nations Fund for Population Activities.

4. Establish sufficient food reserves through national and international efforts to provide continuing vital insurance against food shortages.

5. Recognize that, in our finite world where resources are limited, the family of man must one day, and hopefully fairly soon, bring birth rates into reasonable balance with the lowered death rates that have been achieved. Many governments see the need to

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* United Nations Teheran Declaration of Human Rights, 1968 (para. 16)

** Resolution 1672 (LII) of the United Nations Economic and Social Council, 1969 guide national policy toward this objective.

A solution to the present world food crisis must be found within the next few years. The social transformation which can lead to a reduction in the world rate of fertility, along with lowering the rate of mortality, will take decades to accomplish. But a start must be made now because the millions of people being born each year place a heavy burden on the resources available to many nations for education, health, employment and the maintenance of environmental quality. A reduction in population growth could help alleviate this burden. Effective measures toward resolving both the world food and population problems must come within a total strategy of development. Not only is social and economic development desirable in itself, but also it contributes to moderating population growth. All these measures are designed to improve the quality of life.

In this Declaration, we focus on food because it is the most critical of the pressures on the world today. It is the greatest manifestation of world poverty, which has many aspects. The absolute number of desperately poor are far greater today than ever before in history. The need to eradicate acute poverty is being recognized more than ever as a collective responsibility. It is a task which global partnership and the demands of social justice make imperative.

We repeat, food is crucial because literally tens of millions of lives are suspended in the delicate balance between world population and world food supplies. Growing populations, denied sufficient food needed for survival, resist all efforts to secure a peaceful world. With increased production and more equitable distribution of food, the future could provide a prospect of less misery and more hope for countless people now deprived of the basic necessities that are their right.

The World Food Conference represents a unique opportunity. This opportunity must not be missed. Comprehensive international agreements must be reached to assure at least minimal food supplies, with sufficient annual carry-over stocks. Disastrous breakdowns ih the world food supply can thus be avoided. All nations may then rest secure in the knowledge that this, the most critical of their immediate problems, is being attacked with wisdom, vigor and unity of purpose.

In the name of humanity we call upon all governments and peoples everywhere, rich and poor, regardless of political and social systems, to act — together and to act in time.

Following is the text of the statement made by Secretary-General Kurt Waldheim on receiving the Declaration on Food and Population at a ceremony at United Nations Headquarters:

I am grateful to be given this Declaration. It is marked by a profound concern for the improvement of the human condition. The Declaration is important of itself by virtue of the authority of the signers whose standing in all walks of life is reflected by the stature to those who have come to the United Nations today to bear witness to it.

I have recently described the times we are living in as being characterized by mass poverty, food shortages, and energy crisis, a continuing oppressive burden of military expenditure, inflation exacerbated by world monetary instability, and the prospect before us of a doubling of human numbers by the turn of the century.

The Declaration addresses itself primarily to the dramatic depletion of available food reserves and the shortfall in world food production. There is no more immediate task than that of rescuing the world from a situation which, for many, has always been precarious and is now even more hazardous. Short-term measures, while essential, must not be allowed to become palliatives, for the coming years will increase our vulnerability.

Virtually in no other area is it more pressing than in the one to which your Declaration addresses itself: the need to assure that the men, women and children of Africa, Asia, Europe and the Americas, whatever their origin, their religion, their political philosophy, their age, their social condition have the basic foods which are the one essential and undebatable pre-condition of a life of dignity and decency. Without an assured supply, all our other aspirations for peace, for social justice, for growth and creativity, both as individuals and as nations, lose their meaning and take on a hollow ring.

I cannot but be sharply and painfully conscious of the dangers posed by the Declaration, having recently returned from the Sahel. There, the suffering provoked by a six-year drought is resulting in premature death, disease and a dreadful sense of helplessness. The tragic spectacle of dying cattle and their owners fleeing the encroaching desert induces a sense of desperation into what should be the objective analysis of the world's food situation and prospects.

It is no accident that this Declaration is presented at the United Nations. This body was established in the final phase of the most devastating war in history not merely to embody the highest aspirations of mankind, but to provide an operational vehicle for global action. The present crisis and those that we can see looming ahead can be overcome. They are indeed a serious challenge to use all our forces, our determination and ingenuity to provide a better life for future generations.

This is a year in which the international community, with some brutally abrupt reminders of what the future may hold, is facing up to the situation. At its present special session, the General Assembly is devoting its attention to finding the basis of a more equitable and workable economic system — a system which takes into account not only the needs of all nations, but also the imperative interrelationships of the several parts of the problem: poverty, the conservation and just apportionment of
natural resources, the pre
vation of the environment,
the problems of trade
monetary system. Food
population, the two urg
issues to which your De
ration addresses itself, fo
an integral part of this who

In August, in Bucharest,
the first time Governments
hold a world population c
ference. Shortly afterwa
in Rome, the World Food C
ference will offer Governme
the opportunity to tackle
world food problem. Your
therefore for international
operation to ensure suppl
of food comes at an opportu
moment. The World Fo
Conference will present
Member States of the Uni
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survival but a life of digni
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Whether or not we can i
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pends, as the Declaration stat
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new and tangible objective
hammering out the global str
tegies needed and revitalizi
the machinery to achieve the
In spite of its ideological co
plexity and the political a
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respond.

It is in this same spirit
commitmnt and determinati
that I receive this Declaratio
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will find humane solutions
the serious problems of fo
and population which c
front mankind.

In better shape

NEWSPAPERS REPORTING on the cabinet reshuffle have noted that this is the seventh time since the mid-term poll in 1971 that the prime minister has shuffled her pack. If therefore Mrs Gandhi's council of ministers does not still have a finished look, it is not for want of trying on her part. She could of course keep on trying and she may no doubt hope to succeed some day, like Robert Bruce. Meanwhile the country may be thankful for some not so small mercies. Mr Jagjivan Ram's new assignment has been deservedly greeted in the country with genuine enthusiasm. As minister for Agriculture and Irrigation he is in a position to exercise for the definite benefit of the nation his substantial political status and vast talent for administration. Here is a man with plenty of practical good sense and he may be depended upon to follow sound and realistic procurement and price policies without which there can be no sustained growth of agricultural production. His immediate task of course is to work out a credible food policy and the country may reasonably hope that he would do this in such a way that the consumer considers him a well-wisher while the farmer regards him as an ally.

There is similarly sufficient reason for the public taking kindly to the prime minister's choice of Mr C. Subramaniam for the Finance ministry. That this fulfils a cherished personal aspiration is certainly not the most important aspect of this appointment. He may not perhaps be the answer to the prime minister's celebrated prayer for a wizard to put the economy right, but he has acquired experience in depth of both industrial expansion and agricultural development. He assumes his new responsibilities at a time when his intellectual powers have matured and mellowed. He may therefore be expected to eschew adventurism as well as opportunism and help steer the economy carefully and steadily through the difficult period ahead. Right now the economic condition of the country resembles verily the state of a ship on the high seas battered by a violent storm. Inflation remains an immense problem but in the meanwhile the government's credit squeeze has begun throttling even normal and legitimate business activity. There is a real danger of both manufacturing and trading being disrupted unless the government acts to restore the normal financing of production or marketing. It is some time since the Finance minister has been a master in his own house. This position should change now, for Mr Subramaniam may certainly be expected to take the initiative in policy and administration.

The bringing together of Industrial Development and Heavy Industry as a single new ministry of Industries under Mr T.A. Pai is another happy thought. His predecessor, Mr Subramaniam had done much to simplify and speed up industrial licensing and it now remains for Mr Pai to assist in the creation of an economic climate in which licences could quickly fructify as projects and plants. His abilities are considerable and his self-confidence is even more so. All the same, it is reasonable to ask why Civil Supplies should also have been included in his portfolio. This charge has no logical link with Mr Pai's major assignment and could easily prove a time-consuming diversion for him. Mr K.D. Malaviya has been moved from Steel and Mines to Petroleum and Chemicals. His return to his old stomping ground has much to recommend it. The country should wish him well and pray that petroleum policy would recapture its dynamism under his skilled and dedicated ministrations. At the same time the country may well be apprehensive about his being able to spare sufficient time and energy to other equally important areas of his portfolio, such as fertilizers or chemicals.

The Steel portfolio has once again been disturbed. This is unfortunate because it is a complex charge and a new minister will certainly take time even to get acquainted with the job. Moreover, Mr Chandrajit Yadav, who has been inducted into the council of ministers as a minister of state to be in independent charge of Steel and Mines, has had no ministerial experience. Fortunately he is young and clearly capable and may well prove worthy of the trust reposed in him. The prime minister's secretariat, however, may have to keep an eye on this ministry for a start so that its functioning

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may not slump or slacken while Mr Yadav is learning the tricks of his new trade.

The prime minister has been wise in deciding that Mr D.P. Chattopadhyaya should continue his good work at the Commerce ministry. His enthusiasm is a great asset as is his reputation for being 'clean.' Mr Chattopadhyaya's performance so far might be less dazzling than what he himself thinks it is but there is no doubt that here is a minister who is determined to make a success of his job. As much and more could certainly be claimed for Mr K.C. Pant, who continues to be minister of state but will be in independent charge of the newly created ministry of Energy which takes under its wings Power and Coal. During his spell as minister for Irrigation and Power Mr Pant had demonstrated sustained capacity for paying attention to detail while analysing and assessing broader concepts. His enlarged responsibilities may well give him the additional scope he needs for addressing himself fully to the demands of power development.

As has been suggested at the outset, Mrs Gandhi has done less than a complete job of giving the country a government good in all its parts. There are still far too many free-loaders and hangers-on in her team, while she has obviously not been over-keen on cutting down even some easily detected dead wood. Quite a few important ministries still have ministers who are indifferent or inadequate or both and there is also the nagging feeling that, having decided on certain dismissals or replacements, the prime minister is waiting for a more opportune time to give effect to these decisions. There is in all this the risk that the country may become more and more cynical about the quality of its government. On the present occasion, however, there is also just a chance that the public may be willing to give a trial to the new dispensation under which Mr C. Subramaniam in Finance, Mr Jagjivan Ram in Agriculture and Mr T.A. Pai in Industries will have opportunities to work both individually and collectively to revive and reinvigorate the economy and re-start it on the road to development.

Bhoothalingam report

IN HIS mid-year (1974-75) review of the Indian economy, written for *Margin*, the quarterly journal of the National Council of Applied Economic Research, Mr S. Bhoothalingam, formerly Director-General of the Council and now an Adviser, declares that the patient is gravely ill, but recovery is possible. His optimism, such as it is, is purely subjective, for he suggests that "the only hopeful factor is that, for the first time in many years, the governmet seems to be well and sincerely aware of the danger," As proof he cites the ordinances promulgated in July this year and the supplementary budget and taxation measures of August. He however proceeds promptly to concede that "this package of measures may be incomplete and insufficient and some of them may not be as effective as hoped for." It is not only politicians who want to eat the cake and have it; ex-bureaucrats too could apparently be similarly tempted. The truth is that everybody is convinced that something must be done about inflation and that it is primarily for the government to do it, but not many seem to know what precisely is to be done. However, neither Mr Bhoothalingam nor the rest of us need be unduly despondent. Helplessness in the face of inflation seems to be as universal a feature of the human condition as inflation itself.

The mid-year review has wisely refrained from conjectures even about the immediate future. All that it permits itself is to say very cautiously that the economy might improve if certain things which could be done were in fact done. For instance, the government of India, Mr Bhoothalingam says, should not hesitate to raise external resources of a large order taking advantage of every facility that may be available for the purpose. He also recommends that, having done so or even while doing so, the government should boldly commit enough funds for such essential imports as oil or foodgrains. He has warned against the food import needs of the country being underestimated and he himself is persuaded that there would be a foodgrain deficit of about seven million tonnes in 1974-75.

After reviewing the poor performance of the industrial production index in 1973, Mr Bhoothalingam usefully asks whether the country could not make better use of its investments in industrial plant and machinery than it has been doing lately. He admits that power has been a bottleneck but doubts the necessity to despair. As he has worked out the electricity arithmetic, if only the thermal stations could operate at the designed capacity of 60 per cent load factor, the estimated energy now required by all sectors could be fully found. Consequently, he deprecates the attitude that "until more power stations are commissioned in due course, the country has necessarily to put up with the present kind of crippling power shortages."

Mr Bhoothalingam's analysis admits the significant role of money supply in generating inflation, but he rules out proposals for legitimatizing black money at a price as well as monetarist formulae such as SEMIBOMBLA. Rather unhappily, he himself has no positive suggestions to make, which is all the more unsatisfactory since he states that the "measures taken and envisaged (so far by the government) to check the growth of money supply are unlikely to give immediate relief." It has been said that in the long run we are all dead. Given inflation of the kind we are having now, we should all be dead much earlier. Mr Bhoothalingam is quite emphatic that production must rise if the rigours of inflation are to be mitigated. On this there can be no two opinions. Agreement is also readily possible on the point that production could be substantially raised if certain conditions, none of them impossible, are met. Improvement in the generation and distribution of electricity has been mentioned already. Mr Bhoothalingam recommends also better productivity in coal, steel and transport. He demands some shock treatment in the case of fertilizers — "be it development, production or distribution" — but leaves us guessing about the nature of the shock treatment recommended.

In the private sector of industry Mr Bhoothalingam notes that performance depends a great deal on the operation of government policies. He warns against dogmatic or rigid credit squeeze and he naturally protests against the wasting of time involved in bureaucratic procedures, regulatory or otherwise. Mr Bhoothalingam does not indicate to what extent an increase in industrial production would restrain the increase in the price level within any relevant future period. On the contrary, he declares rather fatalistically that "prices continue to rise and will go on doing so." In practical terms, an increase in industrial production of an extent likely to be realized is rather unlikely to overcome inflation so long as the government's monetary and fiscal policies do not subject themselves to corresponding discipline. Nevertheless, it is good indeed that Mr Bhoothalingam has so uncompromisingly emphasized the importance of increasing production. Especially as a recession in certain areas of industry, involving an aggravation of unemployment or other economic difficulties faced by the nation, seems only too probable, the urgency of stimulating both production and investment in the industrial sector can hardly be exaggerated.

McNamara Pleads

THE PROPOSED resort by the government of India to the newly established "oil facility" of the International Monetary Fund (IMF), despite the fact that the interest of about seven per cent on this facility is considered rather high, provides ample justification for the World Bank President, Mr Robert McNamara's penetrating analysis of the current international economic situation as well as his strong plea at the annual meeting of the Bank a few days ago for a substantial increase in the quantum of concessionary aid available to the developing poor countries.

India proposes to go in for IMF's oil facility because, notwithstanding the nearly 50 per cent increase in her exports during April-July period and three earlier drawals on the IMF under the compensatory finance facility, the gold tranche and the first credit tranche, she finds herself confronted with the prospect of a precipitate fall in her foreign exchange reserves. These reserves had been eroded to the extent of nearly Rs 150 crores during the two months to September 15. In the subsequent week, the rate of decline — Rs 33.68 crores — gathered further momentum. India's, incidentally, is not an isolated case of difficult balance of payments position. Mr McNamara has pointed out that most other developing countries, the prominent among them being Bangladesh, Sri Lanka, Mali, Niger, Upper Volta, Mauritania, Senegal, Chad, Tanzania, Somalia and Kenya, face a similar situation.

As the World Bank president has stressed, the plight of these countries is not of their own making, even though it has been aggravated to some extent by such natural calamities as floods in some and severe drought in others. Global inflation in general during the past about three years and the sharp rise in the prices of petroleum, fertilizers, foodgrains and most primary products since last year in particular have done a great damage to the balance of payments position of most of the poor developing nations. In the case of India, the imports of crude oil, fertilizers and foodgrains alone are expected to eat up nearly 80 per cent of the country's this year's export earning, leaving very little for financing other imports. The larger quantum of aid expected this year also is not likely to be of much help as the real value of this assistance has been eroded considerably by global inflation.

More pertinent, however, is the prospect visualised by Mr McNamara of the global growth trends during the rest of the current decade. Thanks to the near-quadrupling of oil prices in just about a year, the rate of growth of the gross national product of the developed countries is said to have gone down currently to a bare 1.3 per cent from 6.7 per cent last year and 5.8 and 4.9 per cent in the preceding two years. This is not only expected to affect their development assistance programmes but also the prospects of exports of the developing countries. Since nearly 75 per cent of the total exports of the developing nations are effected to the developed nations, a diminished growth rate of the latter translates very quickly into reduced demand for the exports of the former, leading in turn to a reduction in their (developing countries') capacity to import. In the absence of large-scale external assistance, the rate of growth of the developing countries cannot then but suffer.

According to the World Bank's projections, which have been cited by Mr McNamara, the GNP growth per capita in the developing nations with per capita incomes over $200 (these countries account for 600 million population) may go down during 1974-80 to 3.4 per cent from 4.3 per cent on an average during 1965-73. The rate would turn even minus 0.4 from 1.1 in the case of countries with per capita incomes under $200. These countries account for 1,000 million people.

Among the developing countries, the only ones which are expected to register improvement in the GNP growth per capita in the coming years are the major oil producers with a population of 300 million people and the mineral exporters with 100 million people. The growth rate of the oil producers may go up from 5.4 per cent to 8.4 per cent and of the mineral producers from 1.2 to 3.8 per cent. The developed nations and some of the developing countries with high growth rates at present due to their industrial strides, of course, should be able to pull through, although they face serious problems of adjustment to the new conditions. They, it is felt, are able to borrow much of what they need on the world capital markets. They can also attract investments from the oil producing countries which have large surplus funds on their hands.

It is against this background that Mr McNamara has called for a substantial increase in the quantum of concessionary assistance to the developing nations, particularly to the poorest among them. For these countries, a setback to their growth rates will mean not just inconvenience — as would be the case with the developed nations — but appalling deprivation. The prospect, indeed, is frightening. Mr McNamara's plea, therefore, needs to be fully endorsed. The problem cannot be resolved if the developed nations remain content with devising ways and means for overcoming their own difficulties and brush aside aid considerations. Part of the additional aid requirements can well be met by the oil producing countries but the developed nations too have to contribute liberally, even though this might entail some sacrifice on their part.

The question of recycling a major portion of the surplus funds of the oil producing countries has been entrusted for detailed study to a special committee of the IMF. It is, however, difficult to say how far the deliberations of this committee will be fruitful in the present-day mood of confrontation between the developed countries, which recently considered the question of oil prices under the leadership of the United States, and the oil producers.

The developed countries have called for a cut in oil prices. If the observations of the Shah of Iran at his press conference in New Delhi are any indication, this call, which he termed as unilateral, is bound to be resisted by the members of the Organisation of the Petroleum Exporting Countries. An indication to this effect has also been given by the Secretary-General of the OPEC who has hinted that a further upward revision may be sought in oil prices to compensate the producers for the continuing global inflation. The problem can be resolved through mutual discussions between the producers and major consumers of oil. The present mood of confrontation would only complicate matters further.

In view of the mounting burden of external debt on the developing nations, it is, of course, imperative that the surplus funds of oil producers should be channelled to them at liberal terms. The Shah of Iran's proposal for setting up a special fund for this purpose under the aegis of the United Nations, from where assistance can be made available to the developing nations at 2.5 per cent annual interest, the repayment of this assistance being spread over 25-30 years, needs detailed consideration.

It is, however, encouraging to note that Mr McNamara has underscored the need for diversification of the energy patterns in the developing countries and also emphasised the need for bestowing greater attention on their agricultural development programmes. Unless they do so, not only will they find it difficult to adequately feed their growing populations but also to foster their economic growth.

Ways and means

At a time when inflationary pressures are being more acutely felt even with the attempts to regulate money supply, the central exchequer is feeling more comfortable than at this time last year and there are clear indications that it will be in possession of tax and non-tax revenues of dimensions much larger than what are assumed in the budget estimates. There is, however, as yet no adequate recognition of the oppressive burden of new levies imposed by the central government in its original and supplementary budgets and of the periodical adjustments in tariff values of selected commodities for purposes of levying *ad valorem* excise duties. Even without a significant increase in the output of excised commodities and no large increase in the quantum of dutiable imports, the union Finance ministry can hope to exceed comfortably the budget estimates, of an improvement of Rs 520 crores (gross) after taking into account the new taxation proposals of February this year. The gross increase may of course be said to be Rs 535 crores as there was a share of Rs 15 crores for the states in respect of the new excise levies on July 31. (The interim budget proposals postulated additional revenues of Rs 136 crores gross and these became effective from July 31, 1974).

The details relating to central revenue for the first four months of the current financial year make extremely good showing. Total revenues amounted to Rs 1650.82 crores representing an increase of Rs 346.17 crores. Of this, excise duties alone accounted for additional revenues of Rs 218 crores. But what is really significant is the net improvement in customs revenues. In view of the constraints on foreign exchange resources it had been actually expected that there would be a net drop of Rs 38 crores in a whole year. But there has been a rise of Rs 94 crores. Income tax receipts have improved by Rs 13 crores and corporation tax by Rs 19 crores.

Ignoring the effect of the interim budget proposals, excise duties can be expected to fetch in a whole year additionally Rs 450 crores while customs revenues alone may account for an extra Rs 150 crores. The collections in respect of income tax and corporation tax may be easily another Rs 150 crores bearing in mind the possibility of brisker assessments of individual tax-payers and the better performance of the textile, chemical and other industries. The additional revenues even on the basis of the original budget proposals will therefore be Rs 750 crores. Allowing for the states' share of this increase in revenues the central exchequer will be receiving Rs 550 crores more than it anticipated.

The interim budget proposals too grossly under-estimated receipts as the impact of higher tyre prices and the values of other excised commodities had not been taken into consideration, and the receipts for the eight months could be taken at Rs 160 crores gross, or a net of Rs 145 crores. The total of tax revenues alone will thus be higher by Rs 700 crores in a full year on central account. It may be said that these assumptions are exaggerating the scope for increased tax receipts. But the actual receipts may prove to be much better than these estimates. However, even granting that only about Rs 600 crores will be available for the central exchequer, the expenditure in respect of additional dearness allowances, food subsidies and the higher cost of administration cannot take up more than Rs 400 crores while on the Plan side the total outlay can be raised by Rs 200 crores and more if it is also borne in mind that there will be larger capital receipts with net larger foreign aid and heavier net borrowing through open market loans and under the small savings campaign. It is probable that the surpluses of central government undertakings may prove to be better than now anticipated.

With such a comfortable budgetary position, the union Finance ministry should not have any difficulty in meeting its commitments in the coming months. In fact its objective should be to use a good portion of fresh receipts for cancelling ad hoc securities created in the past few months and avoiding completely deficit financing. It will be no great achievement if it is proudly claimed later that the Finance minister had succeeded in limiting deficit financing to Rs 125 crores even after being in possession of extra receipts for over Rs 800 crores. There is actually scope for presenting an overall balanced budget if not achieving an overall surplus of Rs 50-100 crores.

There are indications of course that the improvement in tax and other revenues is already being reflected in a reduction in the quantum of deficit financing. An analysis of the returns of the Reserve Bank of India since the end of March this year shows that there was an increase in rupee securities, holdings of treasury bills and investments in the Issue and Banking Departments, between March 29 and September 20, 1974, of only Rs 300.94 crores against as much as Rs 624.34 crores in the corresponding period in 1973-74. The decline would have been even more pronounced in the current financial year but for the fact that a portion of the overdrafts of the state governments had to be taken over by the centre.

It is not possible to make any projections on the basis of the trends in the past few months. But with the prospect of larger revenue and capital receipts in the coming months it should certainly be feasible to cancel ad hoc securities handed over to the Reserve Bank for meeting overruns in expenditure relating to 1974-75. As in 1973-74 there were heavy cancellations of ad hoc securities in the last six months, it can be hoped that the contractionist trends in money supply noticeable latterly will remain in evidence especially as there will be immobilisation of 50 per cent of exceptional increases in wages and additional dearness allowances at the rate of Rs 50 crores a month. Since there will also be compulsory deposits for about Rs 75 crores by March next year the rate of growth in money supply taking into account the seasonal expansion of credit after October should be much less than in the busy season of 1973-74.

In view of the unexpected additions to revenue and capital receipts it should be the objective of the government from now on to eschew altogether deficit financing besides neutralising the effect of earlier creation of currency for ways and means purposes. With the completion of the borrowing programme for the current year in two more stages in October and December, a net amount of Rs 300 crores may be raised through open market loans. Nearly the whole of this amount can be utilised for cancelling ad hoc securities.

For the first time in recent years the union Finance minister has been afforded an opportunity for presenting an overall balanced budget and there should not be any relaxation of the efforts to achieve economies in Plan and non-Plan expenditure simply because there is a surfeit of resources. In view of the fact that the interim budget proposals of the centre and railways will be fully operative in 1974-75, the government should even think of formulating the budget estimates for 1975-76 without seeking to raise additional tax revenues.

Foreign trade: plus and minus

THE TRENDS in exports from this country in the first five months of the current financial year give room for the hopeful expectation that the aggregate foreign exchange earnings in 1974-75 may easily be Rs 3,000 crores against Rs 2411 crores for 1973-74. In the past year imports were in excess of exports to the extent of Rs 210 crores and a net big decline in foreign exchange reserves could be avoided with the effective use of aid in the pipeline and satisfactory assistance from members of the Aid India Consortium. The withdrawals from the International Monetary Fund in the early months of this year were actually meant to build up foreign exchange reserves in order that the country might be in a position to pay for costlier imports of crude oil and petroleum products and commercial purchases of foodgrains. The earlier calculations were based on an export target of Rs 2,600 crores and imports of up to Rs 3,300 crores leaving a gap of Rs 700 crores.

It was not of course reckoned until recently that there would be compulsion to import additionally three million tonnes of foodgrains requiring an extra expenditure of about Rs 300 crores. In order to avoid concessional imports of foodgrains and be also prepared for heavy commercial purchases, it was felt that there should be a pruning of imports of crude oil and petroleum products by nearly two million tonnes which would be helpful in effecting a saving of Rs 175 crores. It has been subsequently realised however that a net reduction in oil consumption cannot be achieved and in view of the power shortage in north-western India and the inability of railways to move all offering traffic, there might even be a small net increase in aggregate consumption of petroleum products.

The situation would have been really unmanageable if imports had to be permitted to the extent of Rs 3,500 crores and exports amounted to only Rs 2,600 crores. It is even now not clear what will be the size of the import bill as the foreign exchange allocations in respect of food imports can be determined only after the negotiations for securing additional quantities of wheat on a loan basis from the Soviet Union have been completed and it is also known what could be expected by way of assistance from the USA after Dr Kissinger's visit to India in the last week of this month. It can certainly be expected that some benefit would flow from these two quarters and about Rs 150 crores can be saved through imports of loaned wheat from the Soviet Union and purchases from USA on the basis of special credits.

There will of course be the obligation to return the loaned wheat after some time apart from effecting repayments against special US credits. If, however, there is easier availability of foodgrains as a result of dehoarding of stocks and the rabi crops proves satisfactory, the purchases now being effected in foreign countries can be helpful in building up buffer stocks. A definite view in this regard can be taken only by March next year.

The government can manage to meet an import bill of Rs 3450 crores without any great difficulty as the special credit provided by Iran and Iraq for financing oil imports will be available and the oil facility of the International Monetary Fund also can be utilised in a contingency. Besides, foreign balances held by the Reserve Bank in the Issue and Banking Departments on September 27, 1974 represented an increase of Rs 192 crores in a 12-month period. The Reserve Bank itself has suggested in its recent annual report that these balances can be drawn down, if need be, by Rs 300 crores. There may not however be any necessity to adopt this course as the value of exports even in the first five months of the current year amounted to Rs 1265 crores against Rs 852 crores in the corresponding period in 1973-74.

Taking into account the fact that exports in the last seven months in 1973-74 had a value of Rs 1,558 crores and sugar exports between September and March 1975 will secure another Rs 150 crores net, it can be safely anticipated that the Rs 3,000 crore mark will be comfortably reached. The deficit will then be Rs 450 crores taking into account special assistance from the Soviet Union and USA in respect of imports and Rs 600 crores without any special aid for this purpose. A gap of Rs 250 crores can always be managed with foreign aid which is expected to be larger than in 1973-74. The credit from Iran and Iraq for oil imports will be roughly Rs 200 crores. The remaining gap of Rs 150 crores can be bridged by drawing down foreign exchange reserves. There may not be any need for this withdrawal if assistance of Rs 150 crores is forthcoming, from the Soviet Union and USA for financing food imports.

The satisfactory performance of exports has been due to larger shipments of tea, coffee, gunnies and engineering goods and the realisation also of a higher unit value on these exports. Sugar also made a good contribution of Rs 90 crores in a five-month period against Rs 42 crores for the whole of 1973-74. The sceptics may draw pointed attention to the recessionary trends in western countries and the difficulties encountered in maintaining exports of cotton textiles at a satisfactory level.

There has undoubtedly been a drop in prices of tea and coffee at the export auctions. But the average price realised in a whole year can be much higher than in 1973-74 while there are chances for increasing exports of engineering goods with easier availability of steel. Iron ore also can fetch much larger amounts as there will be an increase in the quantum as well as prices.

The Rs 3,000-crore mark can thus be easily attained especially as sugar will be making an additional contribution of even Rs 210 crores, in seven months ending March 1975. The latest estimates indicate that sugar export can have a value of even Rs 300 crores in a full year. It should also be possible to effect a reduction in imports with a staggering of deliveries of steel and base metals. In respect of steel particularly there has been a serious miscalculation as it is stated that imports will be as much as one million tonnes including a carryover of five lakh tonnes from the previous year against earlier contracts.

It will have to be examined whether there can be resale even in overseas markets against irrevocable commitments as a reduction in imports by two lakh tonnes will result in a saving of even Rs 75 crores. With some adjustments it should be possible to reduce the import bill by Rs 150 crores and prevent the gap from exceeding Rs 450 crores even assuming that food imports have to be fully paid for.

A difficult period of transition may thus be gone through without being seriously hurt. But what are the arrangements that are proposed to be completed for conducting foreign trade on a better basis in 1975-76? The country cannot afford to import crude oil and refined products by utilising special credits for a long time. It is also likely that imports will have to be increased by two million tonnes if not three million tonnes, as a growth in consumption cannot be completely ruled out. There will necessarily have to be additional foreign exchange outlay of Rs 175 crores unless there is a reduction in oil prices by 10 to 15 per cent as a result of the moves now being made by developed countries to persuade the oil producing countrises to adopt a more reasonable pricing policy.

This would necessarily mean that imports will be around Rs 3500 crores in 1975-76 even if there were no exceptional food imports. The value of exports will have to be raised to Rs 3300 crores if the adverse effects of costlier imports have to be overcome and acute dependence on additional foreign aid is to be averted.

The high target of Rs 3300 crores can be achieved only if the sugar industry repeats the performance of this year with maintenance of production at a higher level in the 1974-75 season. Unless special efforts are made to boost production with the grant of attractive excise duty rebates and other concessions a large quantity cannot be released for exports. Gunnies and iron ore have strategic importance while cement can make a good contribution if the industry is helped to increase its output.

The union ministry of Commerce is aware of the need for granting export incentives and stimulating export production. But it is necessary to remember that the complexion of foreign trade has changed completely and as the president of the Federation of Indian Chambers of Commerce and Industry, Mr K.K. Birla, has pointed out, all shackles on exports and impediments in the way of increasing industrial production should be removed.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Break in Prices • Reorganisation of Ministries

IT WILL not be a surprise if the recent downtrend in the prices of several commodities, the important among them being cloth, raw cotton, groundnuts, sugar, foodgrains, cement, steel, non-ferrous metals, chemicals and consumer durables turned out by the engineering industry, is not fully reflected in the wholesale prices index. This is because in the compilation of this index, controlled prices, wherever applicable, are given a heavy weightage and in so far as sugar, foodgrains, cement and steel are concerned, the decline in prices relates to authorised (in the case of sugar and foodgrains) and unauthorised (in the case of cement and steel) open market dealings. The recession (according to trade circles, slump) in cloth prices has been witnessed primarily in respect of the superior and medium varieties; the prices of coarse and lower medium categories of fabrics have, by and large, remained unaffected. Further, the controlled prices of several petroleum products were put up, though not very significantly, last month (since when the recessionary trend in the prices of most of the above-mentioned items has been more perceptible) and there are also several other components of the index the uptrend in the prices of which persists.

considerable satisfaction

Nevertheless, a good deal of satisfaction is being expressed in governmental circles over this break in prices. They see in it the success of the anti-inflationary measures initiated by the centre on a significant scale in July last. It is, however, a moot point whether the decline in prices has resulted primarily from the government's anti-inflationary package.

There can be no doubt that credit squeeze, especially after the two per cent increase in the Bank Rate in July, which led to an across-the-board stepping up of the lending rates of the banking industry, has encouraged quicker turnover of goods. It is also indisputable that the hoarding activity has suffered a great setback as a result of the anti-smuggling and anti-unaccounted money campaigns launched by the union Finance ministry (the two campaigns have considerably affected the flow of funds with which the hoarding activity was primarily financed), as well as the prime minister's threat to use the Maintenance of Internal Security Act (MISA) against the hoarders of essential commodities. But it is presumptuous to say that the hoarded stocks have been disgorged, leading to an improvement in the supply situation, wholly because of these factors.

seasonal factor

So far as the prices of raw cotton, groundnuts and foodgrains are concerned, there is the seasonal factor which cannot be ignored. In the case of these farm products, the kharif crop estimates undoubtedly have been revised upwards following rains, though scattered, a couple of weeks ago. As regards sugar, the availability in the market has become comfortable more owing to the release of a special quota of 50,000 tonnes for the current festival season than due to the hoarded stocks coming out.

Similarly, no doubt the credit squeeze and the measures adopted by the union government to curb the consumption of cement and steel — the restricting of the construction of cinema houses, office buildings, prestigious houses, etc. — have had their impact on the open market prices of these two construction materials. But in their case and also in the case of non-ferrous metals and chemicals, the prices of which have registered decline primarily due to lower foreign advices, presumably under the pressure of creeping recession in the United States and some other highly developed countries, the influence of slackened domestic demand, following fall in the tempo of industrial activity, has not been insignificant. As regards engineering products, it is well known that they have been facing for quite some time consumer resistance as a sequel to the unprecedented high prices of the daily necessities of life eroding the capacity to spend on other goods. Consumer resistance is also the main factor responsible for the setback to the prices of cloth.

Then, as some government spokesmen point out, the element of technical adjustment cannot be brushed aside. Some technical adjustment had to be there following nearly 30 per cent rise in prices during the course of just one year.

In view of the above, and also the fact that the problem of prices has so far been tackled mainly from the monetary side, it is not surprising in the least that the governmental circles are hesitating to express any firm opinion on the likely trend on the prices front during the remaining months of the current financial year.

The problem of prices surely cannot be effectively tackled unless the supply of at least the essential items of daily consumption is really augmented through increased production so as to match demand. The slight improvement in the situation during the past couple of weeks apparently has resulted from the dehoarding of stocks. The dehoarded stocks are bound to be picked up by consumers in course of time. When this source of supply dries up, the resumption of uptrend in prices cannot be ruled out, unless production is stepped up or, in the case of such commodities as foodgrains and vegetable oils, adequate imports are effected.

production of foodgrains

Admittedly, as evidenced by the recent power shedding in the capital and various other parts of the country, with a view to providing irrigation facilities for the maturing rice crop and facilitating rabi sowings, concerted efforts are being made to step up the production of foodgrains. The same seriousness, however, does not appear to be there for raising the output of most other items of daily mass consumption. In fact, when the prices of soyabean oil went up in the world market earlier this year, the union government stopped imports of this commodity even though the country was experiencing an acute shortage of vanaspati.

Under pressure of extreme financial stringency, many development programmes of the current Plan have gone awry. Several programmes, in fact, have been put on the shelf. But emphasis continues to be laid on building up heavy and capital equipment producing industries. Past year's trends of industrial production are indicative enough of the need to raise the capacity utilization of not only consumer goods industries but also of industrial intermediates group. The only industrial units which showed an uptrend in production and capacity utilisation last year were those manufacturing machinery and equipment. But if the general tempo of economic activity does not pick up, this category of industrial units will also find it difficult to market its products.

A greater emphasis on raising the production of goods of mass consumption for a year or so should not only yield wholesome results on the prices front but also prepare the country for a new leap in economic growth. The raw materials, credit and power constraints on the producers of mass consumption items deserve to be obviated on a priority basis, even if this results in a temporary slowing down of the expansion programmes in the heavy and machine building industries sector. Mere augmenting of the capacity in this sector will not serve any purpose for it will be accentuating the problem of underutilisation of capacity. The additional investment in this line also will not yield any return; it may even accentuate inflationary tendencies. The priorities of today are not the same as those of yesteryears. The most important task facing the country currently is to at least stabilise the price level and this can be done primarily by placing greater emphasis on the production of goods of mass consumption. Of course, adequate investment in projects which produce industrial intermediates or inputs for fostering the growth of agriculture and in schemes seeking to locate new domestic sources of oil or diversification of energy sources will also have to be there. The case of export-oriented units or sectors is no different if the essential import requirements have to be adequately met.

nefarious action

Mention is warranted here of the reported move of the producers of goods the prices of which have shown some recession to cut back output in an effort to keep up prices. Such attempts need to be thwarted. The industry itself ought to think twice before taking such steps if it is not to alienate itself and lose sympathy all round. In periods of recession, the producers as well as traders need to remain content with reduced profit margins.

On its part, the government too, besides having a fresh look on the credit squeeze which has affected production in several fields, ought to undertake a study of the impact the sharp increases effected in the last ten years in the excise and customs levies on industrial raw materials and intermediates have had on the cost of production. One way of avoiding cost push inflation without sacrificing revenue is to subject consumer products the demand for which the government wants to curtail, to heavy direct excise duties instead of trying to achieve this end through enhancement of their prices by imposts on raw materials and intermediate products. The latter levies push up production costs all round.

* * *

Opinions may differ or whether the last week's major reshuffle of the portfolios of the union council of ministers was at all necessary and also on the new placement of some ministers, but the reorganisation of some of the economic ministries, indeed, can be termed as a step in the right direction. The two most important changes made in this respect are: (i) the creation of the ministry of Energy and (ii) the enlargement of the former ministries of Industrial Development and Agriculture.

The ministry of Energy will have two departments, one dealing with power and the other with matters relating to the coal industry. The ministry of Irrigation and Power has been disbanded; the department of power has gone to the ministry of Energy and the irrigation department to the ministry of Agriculture. This ministry henceforward will be known as the ministry of Agriculture and Irrigation.

The entrusting of the matters relating to the coal industry to the minister for Energy should help in a better planning and running of the thermal power stations. Of course, close coordination will have to be kept by this ministry with the ministry of Railways so that coal movement bottlenecks can be obviated. Significantly enough, even though the department of irrigation has been transferred from the erstwhile ministry of Irrigation and Power to the ministry of Agriculture, the ministry of Energy retains the charge of the Bhakra and the Beas projects as well as that of the Damodar Valley Corporation. This should indicate that the matters relating to the major hydroelectric projects will continue to be primarily dealt with in the ministry of Energy; only the matters relating to the irrigation potential of these schemes will be handled by the ministry of Agriculture and Irrigation. The department of Atomic Energy, of course, has not been formally merged with the ministry of Energy. But since the minister for Energy at present, Mr K.C. Pant, is also assisting the Prime Minister in the department of Atomic Energy, he will have an effective say in the future planning and running of nuclear power stations. All the major operations on the energy front, except in the field of petroleum, thus, have been brought under the control of one minister. Petroleum apparently has its special problems and along with chemical industries, which to a great extent are interconnected with it, forms a viable charge for another minister.

The merger of the ministry of Heavy Industry with the former ministry of Industrial Development and the creation of a new department, namely the department of Civil Supplies, in the reorganised ministry of Industry, similarly, should yield wholesome results, even though several industries, including some major ones, will continue to be dealt with by the ministries of Petroleum and Chemicals, Steel and Mines, Agriculture and Irrigation and Commerce. These industries have special characteristics and are either big enough or interconnected with the affairs of other ministries so that they can be handled otherwise. The transfer of the task of developing coking coal from the department of Mines, which remains an adjunct of the department of Steel in the ministry of Steel and Mines, of course, could have been avoided in the interest of better planning of the steel industry.

justified action

The shifting of the department of Irrigation to the ministry of Agriculture is justified on the ground that water availability has assumed heightened significance for agricultural development currently; in a way, it is even more important than application of fertilizers.

With the transfer of the work of the department of Internal Trade to the newly created department of Civil Supplies in the ministry of Industry, the ministry of Commerce will now by primarily concerned with external trade. Another important change effected in the ministry of Agriculture is the creation of the department of Rural Development which will look after the work of the former departments of community development and cooperation. This should facilitate an integrated development of the rural areas.

Apart from the reorganisation of the abovementioned economic ministries effected last week, a new cabinet committee is being set up for the highest level decision on the problems of trade and distribution. There is a feeling in the ministrial circles that mal-functioning of the distribution channels has accentuated the inflationary tendencies in the country.

Editors, surely, are not holy cows

V. Balasubramanian

I WAS not intending to take part in this debate, at any rate not at this stage, but the problem that the editor of *The Hindustan Times* is reported to be having with its board of directors (or vice versa) seems to have become not simply a matter of wrestling — free style —, but a veritable free-for-all, with everybody who is anybody or even less lending a hand to the good old cause of the freedom of the press. From the Jana Sangh president, Mr L.K. Advani, through Mr George Fernandes, fresh from the triumph of the railway strike and Mr M.L. Sondhi of the Bharatiya Lok Dal to Mr S. Mulgaokar, a former editor of *The Hindustan Times* and currently editor-in-chief (whatever that may mean) of *The Indian Express*, there has indeed been an impressive variety of voices raised to warn the people that their fundamental rights, as citizens of a free country, are in mortal peril.

excruciatingly funny

It is of course excruciatingly funny that the Jana Sangh president should have come forward to joust for editorial independence. Mr Advani would perhaps let us know why Mr D.R. Mankekar, who was the first editor of *The Motherland* (the Jana Sangh mouth organ), left that job. Was it because he was embarrassed by the excess of editorial independence that was being thrust on him? As for Mr George Fernandes, *The Hindustan Times* was not exactly unkind to him during the railway strike and even in this generally ungrateful world it is usually held that one good turn deserves another. Of Mr Sondhi, perhaps, the less said the better but a little, nevertheless, needs to be said. His finest hour was when he resigned from the Indian Foreign Service— and some may feel that it was the finest hour for the IFS too. Since then he seems to be trying to find out for himself why on earth he did what he had done — a state of mind on account of which much could be forgiven him.

> **V.B.** has gone abroad for a few weeks and he will resume 'Moving Finger' on his return.

a special case

Mr Mulgaokar's of course is an altogether special case, if only because he has always been a very special kind of person. This does not however mean that his intervention need detain us long. He says that he is convinced that "nothing less than a public explanation" by the management of *The Hindustan Times* of the reasons for terminating the services of Mr B.G. Verghese "will do in fairness to the readers of *The Hindustan Times* and the wider public."

Two thoughts seem to be in order. First, there is nothing on record to show that Mr Mulgaokar had considered a similar explanation to be necessary when he ceased to be the editor of *The Hindustan Times*. It may be that Mr Mulgaokar's services were not terminated and that he himself left because, like some Wodehousian hero, he was suddenly seized with a passion for life and love among the chickens. Nevertheless, my essential point remains—editors do change or are changed without street demonstrations demanding public explanations from managements of newspapers. My other thought about Mr Mulgaokar is that, so far as is known, no public explanation was offered by the management of *The Indian Express* either when Frank Moraes was replaced as editor-in-chief by Mr Mulgaokar. It could be claimed perhaps that age was the reason, but this does not wash quite well since here is a case of a superannuated editor being replaced by another only slightly less superannuated.

raking up controversy

So far as the Verghese affair itself is concerned, despite all the publicity in some newspapers and the efforts made to rake up a public controversy, very few hard facts have been stated — only insinuations and innuendoes in abundance. Such newspaper readers as may have really cared to spare a thought to this subject may perhaps reasonably conclude that the editor of *The Hindustan Times* has been given notice of termination of his services and that he probably feels that this has given him cause for grievance. A dispute between the editor and the management of a newspaper over the terms of service of the latter is not one about which the general public or even the registered subscribers to that newspaper have any keen desire for information. To presume that they have is to make the unwarranted assumption that people buy newspapers for the latter's internal politics and not for the news.

A rather unfortunate aspect of this affair is the involvement of the staff of *The Hindustan Times* in whatever dispute that there may be between its editor and its management. Editors should at all times be prepared to fight their own battles. Indeed the independence of any editor is only worth as much as his readiness to offer his resignation the moment he finds that he cannot work with the management or that the management has lost confidence in him. An editor who really values his independence would neither ask the management for reasons nor would he give any himself if the management were to ask him. After all, the relations between the editor of a newspaper and its management are neither those of a sacremental marriage "until death do us part", nor a civil marriage governed by the divorce provisions of some special marriages Act. An editor, in other words, is no sacred cow entitled to be protected by sadhus or scriptures.

This business, again, has been predictably sought to be confused with the issue of a free press. As I had suggested earlier, the independence of the editor is the purely personal and professional business of the editor himself and it is up to him and up to him alone to enforce this independence by the only sanction he properly has, namely, his ability and willingness not only to carry his resignation letter in his pocket but also to leave it on the table of the management whenever he feels that his independence is denied or compromised. His status *vis-a-vis* the management is by no means synonymous with the freedom of the press.

In the United States, for instance, neither the editor of *The Washington Post* nor the editor of *The New York Times* has claimed or can claim that he is the sole and final arbiter of the policy or conduct of the newspaper with which he is connected. Nevertheless, the United States does have a free press in the essential sense in which a democratic community is entitled to a free press. There is no question in this case of the press being deemed to be free in terms of the legal or contractual relations between the editor of a newspaper and its management. Politicians in our country, for purposes of their own, have however been strenuously attempting to spread confusion in this matter. An editor serves neither the cause of editorial independence nor that of the freedom of the press, when he raises or encourages the raising of a 'public interest' controversy through staff demonstrations or political side-shows.

In practical terms the editor of a newspaper is an employee of its proprietors and publishers. He does not and cannot have absolute authority or discretion in laying down or executing the policy of the paper. This function is both the right and the prerogative of the management. It is true that managements may act under various influences or pressures, but, then, it is by no means true that the editors are dwellers in an ivory tower isolated from the influences and pressures of the world around them. On the contrary, an editor must necessarily be in close and living contact with men and matters and, in the process, he is certainly bound to absorb influences of differing worth or validity or lay himself open to various pressures. An editor who values his independence as a personal asset or a professional obligation will, in these circumstances, certainly strive to exercise his own judgment and function according to his lights, but there is no guarantee at all that even in such cases the editor's conduct of the newspaper is necessarily so perfect that he can lay claim to an absolutely free hand.

On balance, public interest may be best served by the responsibility for the policy and conduct of a newspaper being firmly fixed to the management of that newspaper. It should be realized that an editor, completely independent of the management and not being able to count on the backing of the management as a matter of course since the management, by definition, has been excluded from the making of the policy of the paper or responsibility for its conduct, may become even more exposed to pressures from the government or from staff unions in working out or expressing editorial policies or attitudes.

We have before us the established evidence of countries such as the United States, the United Kingdom, France and the Federal Republic of Germany, which undoubtedly enjoy the blessings of a free press, that it is not at all inconsistent with the requirements of a functioning democracy to leave the ultimate responsibility for the editorial and other affairs of a newspaper to its owners and publishers; both historical and contemporary realities show that the freedom of the press and the independence of the editor are two distinct concepts and that mixing them would only confuse the issues.

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Role of multinationals in Asian development

S. S. Kanoria

Text of a speech at the 1974 Conference on Asia of Far East-America Council of Commerce & Industry, Inc., held in New York on October 7.

THE EMERGENCE on the world scene of the multinational corporation marked the beginning of a new era in international economic relations. Whether one hails them as an embryonic form of a new world order or decries them as yet another source of potential economic friction, they are a major fact of international economic life. Already the total value of international production controlled by such corporations exceeds that of international trade. Professor Heilbroner has estimated that if their present rate of expansion continues, the multinationals will account for half or more than half of world industrial output by the year 2,000.

It is fascinating — and also relevant to our present purpose — to attempt to identify the factors responsible for such quantum leaps. One explanation is that for each industry there is a certain critical threshold of domestic market saturation. When this point is reached, rather than seek export markets which may be protected by tariffs, it may be advantageous to jump the tariff barrier by resort to transnational production. This trend is reinforced by the technological explosion that is characteristic of our time. The proliferation of high technology has caused a shift in the area where international investment is profitable.

the shift

The shift has been from resource-based or extractive industries, in which undeveloped countries offered the most attractive fields, to developed countries whose manufacturing industries and trained personnel had the greatest capacity to absorb sophisticated technology. This explains why multinationals find the most glittering prizes, not in the less developed parts of the world, but in industrialised countries of Canada, Europe and Australia. In the last decade, almost three-fourths of American direct foreign investment was in developed countries.

I would suggest that multinational corporations would do well to consider whether such a high degree of concentration of their activities in the industrially advanced countries of the world is really in their own long-term interests. I am aware that the problems encountered by multinationals in the developed world are different from those they come up against in less developed countries. Almost every highly industrialised country is, in some measure, both a home country and a host country for multinationals. The problems that arise, though complex, are technical, financial and symmetrical. In developing countries on the periphery of the industrial world the problems are political, developmental and asymmetrical. Multinationals in these countries have to contend with powerful and often ultra-sensitive national sentiment and fears of neo-colonialism.

Nevertheless the time is not far off when investment in the comparatively limited area of countries that have already attained high levels of development may come up against diminishing returns. After all it was the prospect of saturation of domestic markets that impelled enterprising corporations to take the first step towards international production. Apprehensions about the approaching exhaustion of the market potential of the developed world could well induce a swing back to investment in developing countries. As long as two-thirds of world population are outside the pale of modern industry, there are very definite limits to the level of prosperity which the remaining one-third can attain. Enlightened multinationals, I believe, are already alive to the global implications of their activities and the global responsibilities that this entails.

I consider that the United States is particularly well placed for the role of pace setter in this matter. The multinational corporation as we know it, is American in origin and though the species has spread to other countries, it is still predominently an American phenomenon.

The developing countries of Asia, including my own country India, form part of what has come to be known as the Third World. It is here that multinationals in general and American multinationals in particular have the greatest opportunities to carry out the function for which they are pre-eminently equipped, that of promoting the long run international build-up of global industrial capacity. They could serve as a catalyst to set off a process of cumulative acclerated development, to their own benefit as well as that of the host countries in which they operate.

If multinational corporations and less developed countries are to achieve what I may describe as a 'fit' corresponding to their respective capabilities and needs, there has to be on both sides a meeting of minds, mutual trust and an agreement to abide by a mutually acceptable code of conduct.

Indian example

Let me illustrate with reference to my own country, India. We have the biggest population comprising one-seventh of the human race and therefore the biggest potential market except for China. In the 27 years since independence we have built up not only a stable, democratic political system but also a considerable industrial capacity. We have an abundant supply of skilled and, by western standards, comparatively cheap labour, a high level of scientific and technological competence including design and engineering capability, trained and experienced business managers and, above all, a substantial body of entrepreneurs, imbued with the spirit of initiative, enterprise, resourcefulness and all that goes to make up a business ethos.

On the other hand, in our drive for

higher levels of industrial development, we come up against critical shortages in the form of technological gaps, and inadequate export capacity. As a poor country, with a low proportion of saving to national income, we suffer from a deficiency of capital. These are precisely the factors which multinational corporations are best equipped to provide.

It is natural, in these circumstances, that we should rely on domestic capital, enterprise and talent to provide the major thrust towards development and that we should seek foreign investment only to the extent necessary to make up our deficiencies. Our approach is selective and there can be no question of an open door policy.

The government of India has recently streamlined procedures relating to industrial approvals. Details of these as well as policies relating to industry have been clearly set out in a publication entitled "Guidelines for Industries". I would recommend perusal of this to all those interested in the specifics of our policies and procedures.

fruitful association

We believe that foreign capital and enterprise should operate, wherever possible, in association with their Indian counterparts. Thus we do not favour branches on wholly owned subsidiaries of foreign companies or even foreign majority control though all these types exist in India today. Under the recently enacted foreign exchange regulation law, the ceiling on foreign equity participation is normally 40 per cent but exceptions are permitted where sophisticated technology is involved or substantial exports are assured. Joint ventures are thus the preferred form of foreign investment.

I know that multinationals are likely to look askance at such restrictions. I submit that, in Indian conditions, the joint venture will be more advantageous to both the home and host countries than other forms of association. Branches and subsidiaries of multinationals, because of their obtrusively foreign character, are more likely to arouse political antipathy in a country with memories of political subjection and economic exploitation. Joint ventures are more easily identified with the interests and aspirations of the host country and such acceptance will contribute to their stability and growth. Moreover the Indian partner will be able to provide valuable guidance to the laws and regulations affecting business and, more important, to its business practices, employment, customs and political habits.

I may add that India too has made a start as an exporter of capital and technology, specially to other less developed countries, We have set up joint ventures in over thirty countries and in all of them the Indian collaborator's share of the investment is limited to a minority of the equity.

mutual understanding

An enduring and fruitful relation between multinationals and less developed countries needs to be built on a foundation of mutual understanding, trust and agreement on basic principles.

Thus the possibility of expropriation by the host country is a major deterrent to investment in less developed countries. This is an issue on which agreed norms of conduct need to be worked out and accepted by the international community. The group of eminent persons appointed by the UN to study the impact of multinationals on development, headed by my countryman Mr L.K. Jha, has laid down the principle that while the right of a country to nationalise any company should not be questioned, it is necessary for host countries to pledge themselves to pay fair compensation.

I am proud to say that India's record in this matter gives no ground for apprehension. In 1969 when leading commercial banks were nationalised, foreign banks were specifically excluded. Moreover American investment in India is covered by the investment insurance originally operated by the US Agency for International Development and since 1971 by the Overseas Private Investment Corporation.

Multinational corporations on their part must realise that as the technology and expertise they bring with them are absorbed by the host country, as managerial expertise and enterprise reach higher levels of capability, the nature of their association with host countries will necessarily change.

This does not mean that the multinationals are expected to fade out and eventually withdraw from the host country. In the early stages of the association the technology supplied will have to be relatively simple and comparatively labour intensive. As time goes on host countries will develop capacity to absorb and assimilate more advanced technology and even to undertake research and development on their own. In the meantime, the technological explosion will equip the multinationals with still more advanced technology which again can be imparted, modified and adapted to circumstances in the host country over a further time span.

John Diebold, writing in *Foreign Affairs* forecast that between now and the end of the century the rich countries will find both economic and social reasons to move into the post-manufacturing stage and to shift manufacturing to the less developed countries.

The sort of relation between multinationals and less developed countries that I have visualised is very different from the colonial pattern of exploitation of the resources of subject territories for the benefit of the imperialist power. The new relation is one that will set off a chain reaction of progress and prosperity that could transform the world.

training managers

This requires that multinationals must be willing to take the trouble to tailor the technology they offer to the conditions in the particular host country. They must make special efforts to train managers and executives in the host country to replace expatriate personnel. There can be no place for restrictive clauses in collaboraation agreements regarding freedom of export or tying down the host country to purchase of equipment from the home country. Attempts to cash in on brand names or trade marks will have to be eschewed.

Above all, multinationals have to resist the temptation to play politics or resort to subversive action in the host country. Multinationals have been denounced as a new form of economic domination and as a potential menace to national sovereignty. Such apprehensions have been voiced by persons whose ideology and world outlook are poles apart, the late Salvador Allende of Chile on the one side and Pope Paul VI on the other.

The revelations of the involvement of the International Telephone and Telegraph in Chile have given these warnings a new and sinister relevance. It is necessary that multinationals should take positive action to undo the damage that this unfortunate episode has wrought.

Century Rayon

AN EXAMPLE OF SOCIAL RESPONSIBILITY

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligations to the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

In spite of runaway inflation in the cost of raw materials and other inputs, such as labour, spares, fuel and water, Century Rayon sets another example by holding the priceline for its products.

PROFESSIONAL MANAGEMENT:

Besides the philosophy, the secret lies in its professional management. Maximum decentralisation and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making process in each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:

Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three segments, viz. a) the small scale suppliers; b) the small processors who use Century's bye-products and waste products; c) a large nation-wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in three ways—
a) by providing finance;
b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:

How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS:

Why is it that the Century Rayon Tyrecord is equal to the world's best?
The testimony is constantly rising exports to sophisticated international markets.
The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 6 crores.

EMPLOYEE WELFARE:

Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society.
They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 60 bed hospital, and free medicine.

Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere-all these amenities constantly growing in size and quality.

Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

COMMUNITY SERVICE.

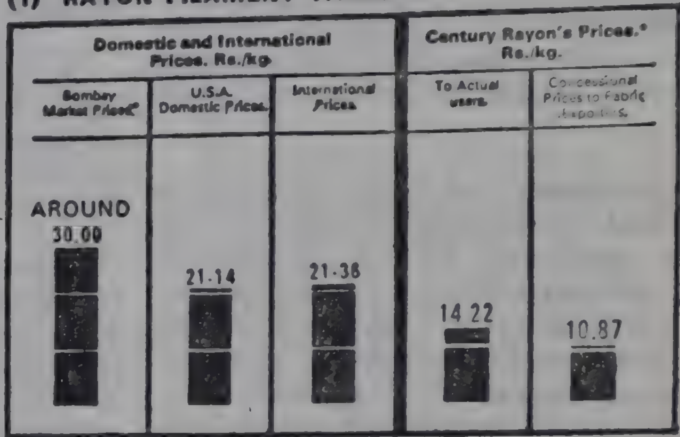
In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

RESEARCH AND DEVELOPMENT.

Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

HOLDING THE PRICE—LINE AND ENSURING FAIR DISTRIBUTION.

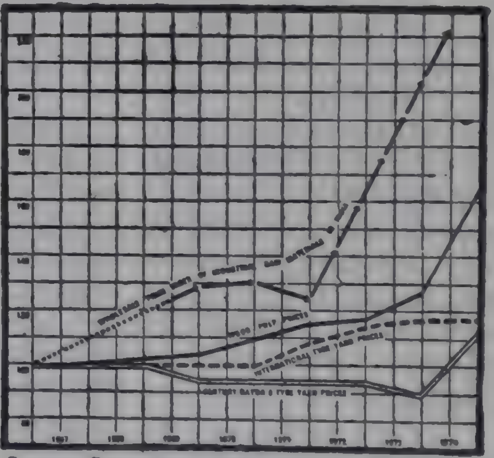
(1) RAYON FILAMENT YARN.



Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.

CENTURY RAYON
Industry House, 159, Churchgate Reclamation, Bombay 400 020.

CENTURY CHEMICALS

CONCEPT-CR-1503 R

Host countries need to be reassured this is an isolated and untypical case, which should not be allowed to besmirch the image of multinationals in general.

In the interests of both home and host countries, there is a case for some form of international organisation to review and coordinate the activities of multinational corporations. The Group of Eminent Persons appointed to study this subject has recommended the establishment of a Commission on Multinational Corporations under the UN Economic and Social Council. I hope that if such a body is set up, it will encourage and assist multinationals to steer their activities in directions and areas most conducive to development.

The multinational corporation is a new type of industrial and social architecture which has yet to accommodate itself to the world environment in which it functions. The problem is that while, as Professor Kindleberger has put it, "the nation state is just about through as an economic unit", they are still very much a part of the world political landscape. Perhaps the multinationals are moving along the evolutionary road towards what Professor Harold Perlmutter has called geocentrism or world orientation. This is perhaps the shape of things to come but one cannot be sure that it will work to the advantage of the less developed countries of today. The ethnocentric or home country oriented attitude is much too self-centred, with affiliates kept on a tight leash and all major decisions handed down from headquarters. The polycentric or host country oriented type would perhaps be more suited to the requirements of developing countries because its affiliates are encouraged to identify themselves with the host countries and enjoy a high degree of autonomy.

Bhargava commission report : some aspects

Prof. C.S. Mahadevan

ALTHOUGH THE report of the Sugar Industry Enquiry Commission has attracted attention mainly in terms of the controversy over nationalization, it has certain other salient points which are well worth discussing. Of these, the recommendations relating to the creation of a National Sugar Authority (NAS), nationalisation of the marketing of sugar up to the level of wholesale trade, sugarcane price policy, establishment of a sugar research institute in the south on the lines of the Kanpur institute require to be examined in detail.

The group consisting of Mr Bhargava, Dr V.S. Vyas, Mr S.L. Saxena, Mr Bansi Dhar and Mr A.C. Bose have recommended the creation of a National Sugar Authority with such functions as:

(i) To assess the demand for sugar for domestic requirement and for exports.

(ii) To arrange for the production of sugar through factories in the corporate, cooperative and public sectors and arrange for its marketing in an orderly manner.

(iii) To build and operate a buffer stock of sugar with the objective of stabilisation of prices.

(iv) To acquire sugar processing units and to run them directly or through regional subsidiary bodies.

(v) To plan production and assist in the development of cane in different regions of the country.

(vi) To ensure technical efficiency of factories by way of regular technical audit, and to maintain research and development divisions at the central and regional offices.

(vii) To arrange for efficient utilisation of by-products directly or through subsidiary organisation.

(viii) To regulate marketing of other sweetening agents.

(ix) To arrange for equitable distribution of sales realisation on a prearranged basis; and

(x) To act as spokesman of the sugar industry at international forums.

Under this arrangement, minimum price of sugarcane will be declared by the government on the advice of the Agricultural Prices Commission, as at present. The NSA will, however, have the authority to permit higher prices in particular areas than those recommended to overcome difficulties in procurement of cane. A limit to these prices can be suggested on the basis of the opportunity cost of cane in the manufacture of gur and khandsari in areas where they offer stiff competition to the sugar units.

"Sugar manufacture will be undertaken by units in public, co-operative and corporate sectors. National Sugar Authority will keep a constant watch on technical and financial performance of each individual unit. It will give timely advice for improvement where required. If it finds that its advice is ignored or some other undesirable developments are taking place, it can recommend to the government either to take over management of the defaulting unit under the provisions of the Industries (Development and Regulation) Act or in the alternative acquire the unit under powers, provision for which may be made by appropriate legislation. Production targets will be given for each unit and a structure of incentives will be evolved to permit them to show better results. The manufacturing cost for each unit will be fixed on the basis of regional norms suggested by the Tariff Commission. The National Sugar Authority will be authorised to permit higher cost on a temporary basis to deserving units in exceptional circumstances."

All sugar produced in the country will be deemed to be the property of NSA. It will distribute the sugar by either utilising the existing marketing channels or fully or partly substituting them by new arrangements. In marketing sugar, it may consider fixing different prices for different sections of consumption to create a development fund and a price stabilisation fund. It will use the instrument of releases in such manner that it is able to build an adequate buffer stock within a reasonable time which may later on be used as a buffer stock in softening the fluctuations in sugar prices.

The commission feels that the chief merit of the NSA is that it will have to be a body to take a comprehensive and integrated view of all aspects of sugar economy. In it we will also have an instrument to translate the social goals to the extent that they relate to the functioning of sugar economy in concrete terms.

marketing of sugar

This organisation, as stated by the commission itself, will not merely give advice or act by fiat but would be involved in the marketing of sugar. It is supposed to direct the sugar economy in a desired way. Also, it is felt that because of its responsibility to maintain and operate buffer stocks entrusted to the NSA, a certain amount of discipline will be exercised in the prices of sugar and other sweetening agents subsequently. The members attach a great degree of significance to the NSA's role as a constant watchdog to examine and assess the technical and financial performance of the mills and to take timely corrective action. What is more, the NSA will be a well-knit body of 11 to 15 persons nominated by the government of India. In each sugar-producing state, there could be a regional body or statutory corporation, either for the whole state or co-terminus with sugar zones, members of which might be nominated by the concerned state government in consultation with NSA.

The NSA appears to be perfect on paper. However, difficulties arise only when our paper proposals are implemented. There is a lurking fear that this body should not degenerate into a mismanaged cooperative organization. The commission perhaps presumes that the present problems of the sugar industry, whether from the producers point of view or farmers' point of view, or from consumers' point of view, mainly arise on account of the private sector not performing its role properly or on account of the absence of proper control on the industry. Here exactly lies the basic mistake. All the troubles of the industry are in fact because of the overstress on controls. It is a well-known dictum in economics that any interference with the operation of free play of natural laws of supply and demand will pave the way for artificial scarcity resulting in hoarding and black marketing.

The nationalisation of the marketing of sugar up to the wholesale level is a measure which is as much an interference with the free play of the supply and demand law as the creation of the NSA. This will work effectively only if we accept the nationalisation of the industry itself on which opinion is divided and so long as economics continues to be subordinated to politics, it is a remote possibility. As long as we accept mixed economy, nationalisation will recede farther and farther. We can't have the cake and eat it. Either we have a fully controlled economy or a free economy. All our troubles in the sphere of prices and scarcity are due to mixed economy which accepts controls in some form or other. Control, in any form, is a restraint on growth. In fact, it is an ideal infrastructure for hoarding and black-marketing. Hence, the fate of the nationalisation of the wholesale trade in sugar is going to be as much a farce as the STC.

cane price policy

The commission's recommendations on sugar cane price policy stresses on the following:

1. The statutory minimum cane price should be so fixed that the return from cane is better than from other alternative crops, in which technological break-through has already been achieved, and should be varied from year to year in the future in proportion to the changes in the return from other competing crops. The statutory minimum cane price should be so fixed that it fully covers the cost of cultivation in the major cane growing regions.

2. For purposes of fixing cane prices, the data on cost of cane cultivation and return from sugarcane and other alternative crops should be collected and kept up-to-date. The basic level of recovery to which the minimum cane price is linked, should be fixed at 8.5 per cent. However in areas in which the average sugar recovery is below 8.5 per cent, special efforts should be made by the government, the factories and canegrowers improve the quality of cane.

   The premium for every 0.1 per cent increase in recovery over the basic recovery should be calculated on proportionality basis as this will mean a marginal increase in price of cane and a consequential increase in the price of sugar.

3. The adoption of the principle of proportionality in fixing the sugarcane price for individual sugar factories will prove beneficial to the industry as a whole and will provide a further incentive to canegrowers to improve the quality of cane.

4. The average sugar recovery of the normal crushing period, instead of the average sugar recovery of the optimum periods, of the preceding season should be taken into consideration for the purposes of fixing the statutory minimum cane price payable by individual sugar factories. The government of India may fix and announce the normal crushing period for different factories in the place of the optimum period after consultation with the experts, growers and processors. Again the statutory minimum cane price for a crushing season should be announced by the central government before the sowing of cane that will be crushed in that season — latest by early September each year.

5. The erratic supply of cane to factories can be greatly stabilised if canegrowers could be held to their agreements for supply of cane in years of shortage and bonding of cane could be restricted to the requirements of factories in years of excess production of cane.

6. Incentives should be provided to persuade canegrowers to enter into agreements and to fulfil their contracts, and disincentives to discourage cane growers from committing breaches of contract. A monetary incentive will produce better results than coercive measures.

7. Where canegrowers supply cane through a canegrowers' society, tripartite agreements for supply of cane should be executed to which

the factory, the society and the individual canegrower concerned should be parties.

8. An additional price shall be paid to canegrowers who are entitled to it under the scheme. The additional price payable to the canegrowers out of extra realisations should be announced in October so that it may influence sowings of cane and execution or agreements for supply of cane.

9. The amounts realised by a sugar factory from canegrowers and canegrowers' societies as penalty for breach of contracts for supply of cane will not go to the factory but will be merged with the canegrowers' share from extra realisations for payment as additional cane price.

   The principle of factories sharing extra realisations from sugar with canegrowers must be revived and reintroduced. Extra realisations from sugar should be divided between a factory and the canegrower in the ratio of 50:50.

10. Every factory should issue to every canegrower supplying cane to it, a pass book containing information about area under cane with the canegrower, quantity of cane to be supplied by him, progressive supply of cane, payment of cane price, etc. In the case of a canegrowers' society, the society will issue a pass book to its members.

positive recommendation

Most of the recommendations relating to cane-price policy deserve approbation as they have already been either implemented or accepted by those concerned with the welfare of the industry. The only difference is that the mill-owners will naturally claim a higher price for their efforts and this will have to be conceded and it will be done as sugar is a commodity enjoying a sellers' market on account of the mixed economic base.

The establishment of a sugar research institute in the southern region is to be welcomed. In fact, this recommendation deserves appreciation in no small measure as the task force on large industries as well as the R &D report of Tamil Nadu Planning Commission has recommended it and the government of Tamil Nadu has accepted this recommendation and the state sugar directorate is on way to adopt measures for its implementation. It would be of great advantage if this institute is located at Coimbatore, in Tamil Nadu, or in Karnataka which is centrally situated for the southern region.

utilisation of byproducts

In regard to the utilization of by-products the commission appears to have overstressed on the manufacture of paper and paper-products from Bagasse especially when the latest technical opinion appears to be in favour of conserving bagasse for the boiler and excess of it, if any, to be put to the use of manufacturing furfural which from the export point of is as good as gold. What is more, when the demand for coal has increased consequent on the oil price hike, the need to resort to coal fired boilers in the place of bagasse fired ones calls for considerable rethinking.

One important factor on which the commission is perhaps a little lackadiasical is on the question of developing the industry in regions which are ideally suited for its development. We are the largest producer of sugarcane in the world and we have the largest number of sugar factories in the world. This industry is the second largest industry in the country and more than 50,00,000 farmers supply cane to hundreds of sugar factories spread all over the country. Yet, from the point of view of productivity of sugarcane and sugar, other countries are far ahead of us. Whereas the average per hectare yield of cane in Hawaii is 110 tons, in Indonesia, 81 tons, India's average is as low as 48.5 tons. In regard to recovery, the Indian average is around 9.5 per cent compared to Australia's 14 per cent. This low out-turn of sugar per acre in India is mainly due to the concentration of sugarcane cultivation in the Gangetic planes of sub-tropical UP and Bihar. But it should not be ignored that sugarcane is essentially a tropical crop and is grown throughout the world only in tropical areas. The higher potential of tropical regions like Maharashtra, Mysore, Andhra Pradesh and Tamil Nadu, for sugarcane cultivation have been exploited only recently.

Even here, I would say that the per acre yield in Maharashtra is low when compared to Karnataka and Andhra Pradesh.

Cane Yield Per Acre

(in tonnes)

Year	Maharashtra	Andhra Pradesh	Karnataka	Tamil Nadu
1967-68	25.7	32.5	35.3	32.0
1968-69	27.1	30.3	37.8	32.7
1969-70	26.3	28.4	34.3	30.6
1970-71	27.5	30.7	35.3	31.3
1971-72	25.6	35.9	34.1	32.7

It would be of immense advantage if the industry could be further developed in Karnataka, Andhra and Tamil Nadu. The states of UP, Bihar and Maharashtra should concentrate on the production of food grains and oil seeds. Further development of cane in these areas will not be in the real interest of the industry. The commission's report is thus a mixed bag of recommendations. While some are admirable, others require rethinking.

EASTERN ECONOMIST

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INLAND : Rs. 100

FOREIGN : £ 10-00 or $ 25-00

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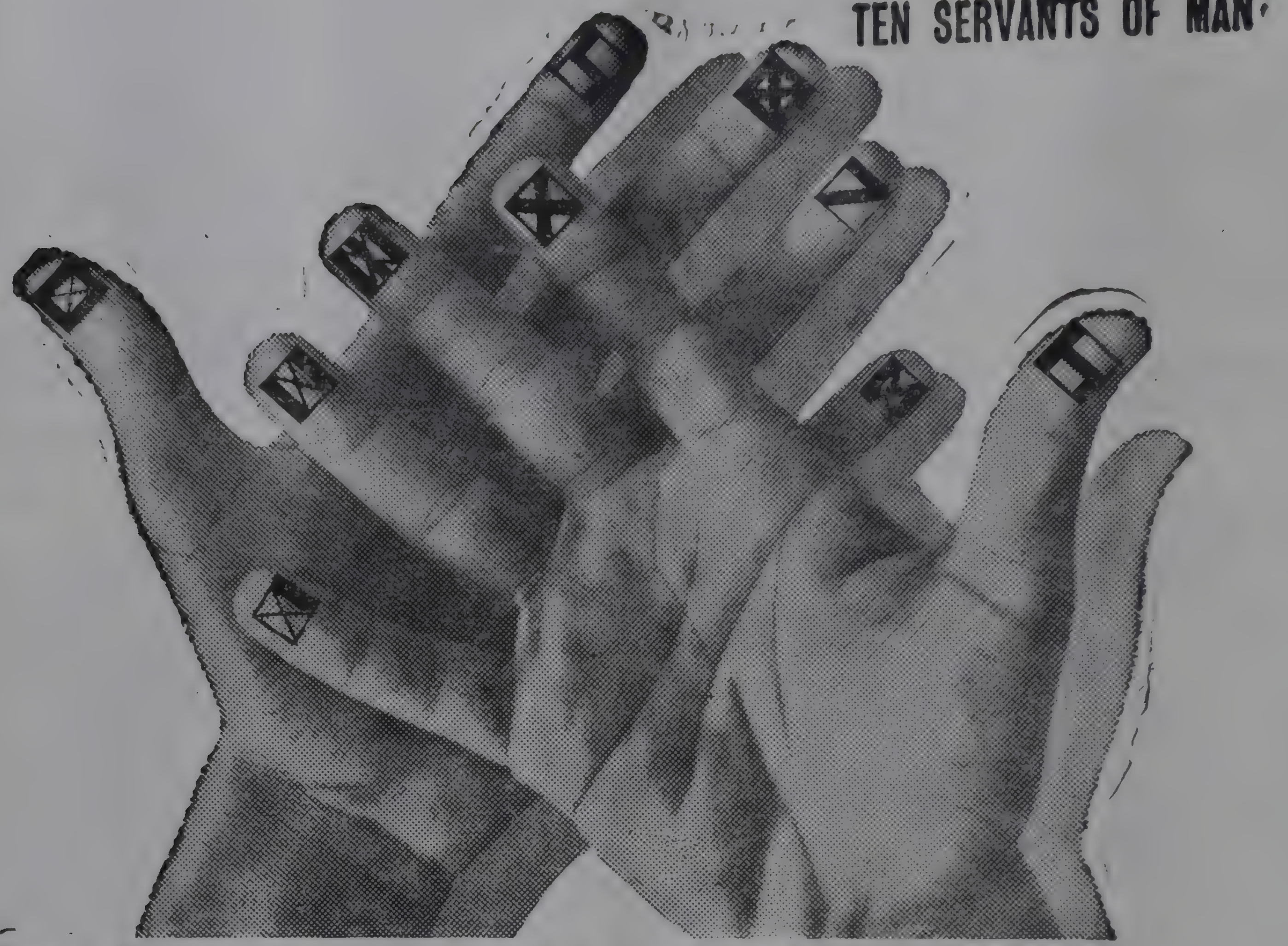

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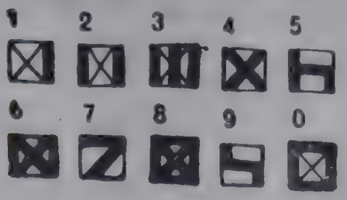


War, famine or pestilence or world action on population?

Jossleyn Hennessy London

Over 100 member countries of the United Nations attended the World Population Conference recently held in Romania.

There have been World Population Conferences before, but these were specialist gatherings where demographers, sociologists, economists and development planners, met to exchange views in their personal capacity.

1974 is the first year in which governments have sent delegations and have expressed official views.

To mark this important world occasion THE TIMES of London published a special 50,000 word Supplement. The subject is, of course, of vital importance to India. EASTERN ECONOMIST has repeatedly discussed it.

We are therefore extremely grateful to THE TIMES for allowing Jossleyn Hennessy, to make a summary of six of the important signed articles which appeared in its World Population Supplement and of THE TIMES editorial which summed up the results achieved at Bucharest. Jossleyn Hennessy introduces the subject.

I

Is India Facing The Facts ?

by Jossleyn Hennessy

IN THE light of half-cock results (See below) obtained at the Bucharest conference the facts on the populations of India (to which for historical reasons I have added Pakistan) take on a startling and sombre importance;

Year	Population: India and Pakistan
1600	100,000,000 (Est.)
1750	130,000,000 (Est.)
1850	150,000,000 (Est.)
1931	353,000,000 (Census)
1941	389,000,000 (Census)
1971	610,000,000 (Census)

These figures illustrate the following facts of history:

Before the spread of British rule across the sub-continent, India's population stood around 100,000,000 — a total for which it was amply within India's resources to maintain an acceptable standard of living.

War, famine and pestilence kept the population around this level. But as, in the course of the 19th century, the British pushed out from their enclaves in Bengal and Madras, they first suppressed war, and then, in turn reduced famine and pestilence to controlable proportions, so that in the 81 years between 1850 and 1931 the population more than doubled.

It is therefore arguable that the biggest wrong that British rule inflicted on India was the suppression of war and the control of famine and pestilence.

The machinery for world cooperation in population control set up by the United Nations offers a unique and final opportunity for all nations to ensure the reasonable distribution of available resources among populations of reasonable size.

But make no mistake — I repeat — make no mistake: the demographers are living in cloud-cuckoo land if they think (See chart p. 712) that by 2000 AD — that is in 26 years — the world population will be 6,000,000,000. Long before that the historical phenomena of war, famine and pestilence cannot fail to reassert themselves and reduce the world's population, amidst appalling suffering, to numbers that its resources can support.

Carr-Saunders calculated that the world population of 1750 was 728,000,000 — a sustainable figure.

If you reject as too barbarous and cynical my prophesy that — give or take

WINDOW ON THE WORLD

hundred million or two — the horsemen of the Apocalypse will reduce us to this, the remedy is in your hands. But the omens that the *Times* describes in its special Supplement and in its editorial, which I am permitted to summarise here, of the results achieved at Bucharest can only mean: ACTION NOW!

II

Population in the Political Arena

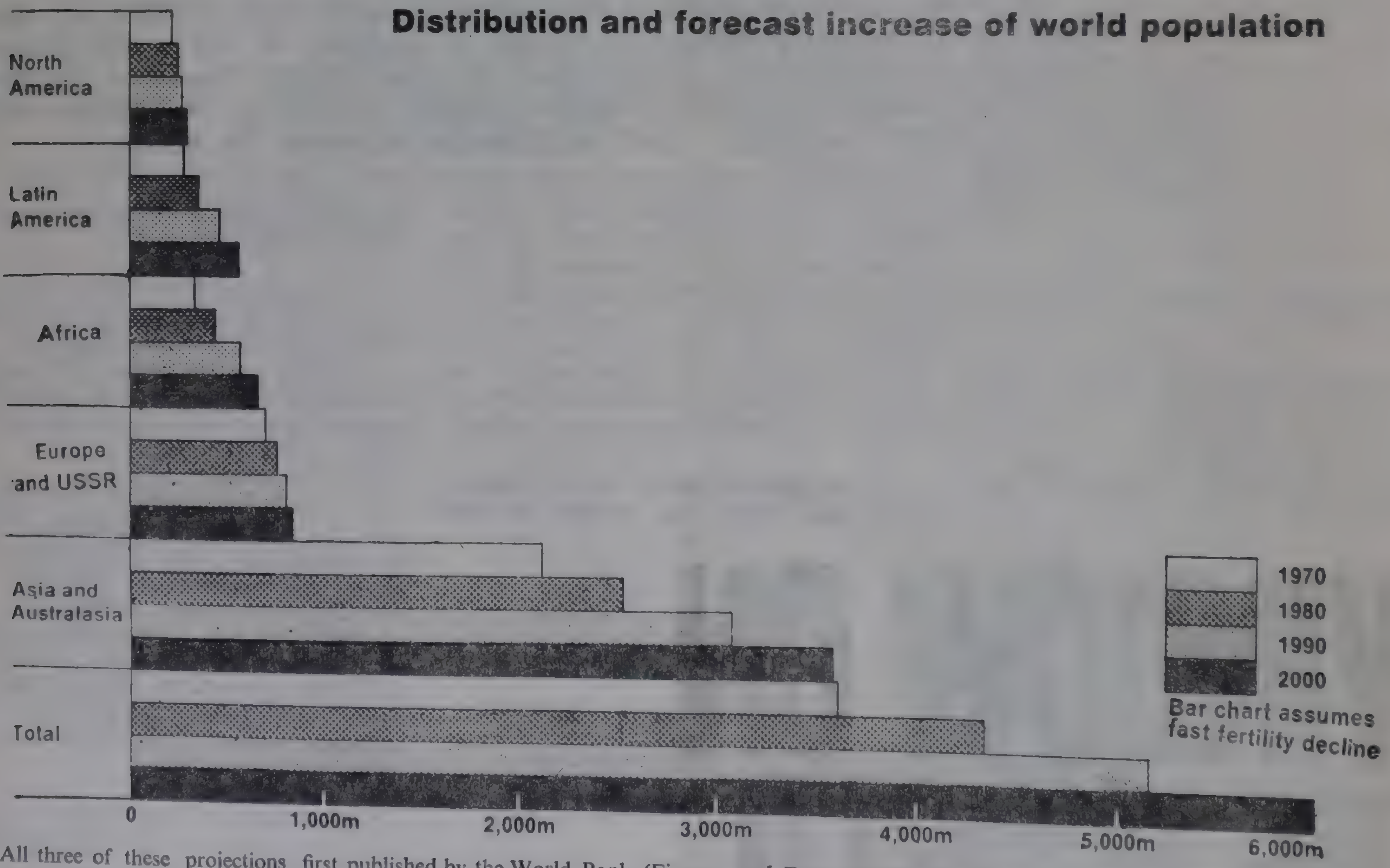
The *Times* assessed the results of the World Conference thus:

"In a world more numerous by three million people since they began their debate twelve days ago, the 135 governments represented at the World Population Conference in Bucharest ended their labours. Precisely what their objective was few of them seemed to agree, though one could hardly have expected more of so many, ranging in size — though not at all in extremes of opinion — from China to the Holy See. In the end the optimistically defined and much amended world population plan of action was passed; a castrated document, but one retaining some of the virility of the original draft. That may seem a small achievement since the plan commits no one to anything. It cannot be said that population is a subject open to the kind of international agreement that was sought in vain at the Law of the Sea Conference in Caracas. Yet almost all economists, demographers, or ecologists of moderate rather than doom-watching opinions agree that population looms more dangerously as a problem than any other in the long-term.

"That opinion many in time come to be common doctrine in most of the countries that sent delegations to Bucharest. For the moment, though, they have given a less encouraging impression. Allowing the strong religious objections and the acknowledged social complexities attaching to population growth, the UN-might have argued that the question was a relatively unpolitical one. Not so in the minds of those in the front rank of the anti-imperialist camp, whether of the communist or third world persuasion. The meeting itelf was held in a country devoted to increasing rather than reducing its birth rate. From Latin America there was strong reinforcement for this argument, from Argentina and Brazil.

"The communists were ready with their unchanging argument that man the producer can conquer in any conditions – thanks to their uniquely liberating doctrines. The Chinese, however, had no come to Bucharest to emphasize thei agreement with the Russians but to fin every possible ground, relevant or not t the matters in hand, to lambast the Russians as the worst of the two super-power under whose dominance most of th world's population was still suffering Their own claim to have more than doubled their grain production over twenty-five years while their population has no increased by so much was not made convincing by the statistics they offered.

"Such political arguments are presse because the Chinese and the Russians compete to range themselves with the anti-imperialist camp. What the Chinese do about their own population is a great deal more prudent than the doctrine on their political banners would suggest. And if one looks at the rest of Asia beyond the Chinese boundary the line-up of the developing countries against the developed proves even less united. The Indians who follow China in the magnitude of their population have come through the hopes of the "green revolution" to face the harder realities. Like Bangladesh, now crying out for aid, the Indians are having to pay



All three of these projections, first published by the World Bank (Finance and Development, vol. 10, no. 4), assume declining mortality rates. The concept of fertility is based on the number of births during a woman's reproductive period, at current rates. "Constant" fertility assumes that rates will remain at their present levels until 2000. "Fast" decline assumes that rates will fall by between 1 and 3 per cent annually until replacement level is reached, and could amount to a halving of the rate in 30 to 40 years.

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cash for diminishing grain surpluses that they had hoped to do without.

"For the moment one must expect the fervour of the new nationalism to assert itself against the plans and projections of the internationally-minded sponsors and experts who put so much effort into the Bucharest conference. Population may be represented statistically as a global problem but it remains within the province of each government and many of them can do little against the braking power of the slowly-changing societies they rule.

"The UN plan of action will be no more than an alert sounded for those willing to listen. Away from the ringing political slogans of the conference hall some valuable lessons should nevertheless have gone home."

III

A World Enough

by **Lester B. Brown**

[*Senior fellow, the Overseas Development Council, Washington. This article is adapted from his recently published book,* **In the Human Interest: A Strategy to Stabilise World Population** (*W.W. Norton, New York*).]

None of us is immune to the effects of population growth, regardless of where the growth actually occurs. Each person added to the world's population, however poor, exerts an additional claim on the earth's food, energy and other resources.

Expanding food production requires either fossil fuels or animal draft power. It also demands growing quantities of fresh water. Land is required for living space as well as for food production. Even minimal needs clothing and shelter exert additional claims on the earth's resources.

mounting problems

In an earlier age the addition of another person to the population was of little consequence, since resources far exceeded man's wildest visions of potential needs. But we do not recognise that continuing population growth, even at a moderate rate, will henceforth aggravate inflation, magnify the scarcity of energy and food and increase pollution. In the developing world, rural unemployment is rising at alarming levels, generating a massive movement of people from the countryside to cities unprepared for them. One can say with a disturbing degree of confidence that all of these problems will worsen in the absence of a crash effort to slow world population growth.

United Nations projections of population to the end of the century show three alternative levels of population in 2000 AD — 6,000 million, 6,500 million and 7,100 million. The middle-level projection, viewed by the United Nations demographers as the most likely, assumes a world population growth rate of two per cent until 1985, followed by a gradual decline to 1.7 per cent by the end of the century.

The low and high projections reflect corresponding variations in assumed growth rates. The disturbing factor is how long it will take to reach population stability under these assumptions. Even under the "low" variant, population does not stabilise until near the end of the twentyfirst century, at just under 10,000 million.

The explicit assumptions underlying these alternative projections are almost exlusively demographic. They deal with such matters as fertility behaviour and life expectancy. They do not examine the effect of these various population levels, supported at acceptable levels of consumption, on the amount of waste generated, the extent of pressure on oceanic fisheries, the amount of energy that this would require, the thermal pollution that it would generate and the stress on food producing ecosystems, or the level of unemployment.

soaring demands

As of the mid-1970s, it has become apparent that the soaring demand for food, spurred by both population growth and rising affluence, has begun to outrun the productive capacity of the world's farmers and fishermen. The result is declining food reserves, soaring food prices, and increasingly intense international competition for exportable food supplies.

As the world demand for food climbs, constraints on efforts to expand food production become increasingly apparent. The means of expanding food supplies from conventional agriculture fall into two categories: either increasing the amount of land under cultivation, or raising yields on existing cropland through

Distribution and Forecast Increase of World Population

Year		North America	Latin America	Africa	Europe and the USSR	Asia and Australasia	Total
1970		226/6.3	280/7.8	346/9.6	704/19.5	2,051/56.8	3,607
1980	A	250/5.6	378/8.5	457/10.3	760/17.1	2,596/58.5	4,441
	B	249/5.7	372/8.5	453/10.3	757/17.2	2,558/58.3	4,389
	C	248/5.7	367/8.4	451/10.4	754/17.4	2,521/58.1	4,341
1990	A	280/5.0	517/9.2	619/11.0	815/14.6	3,377/60.2	5,608
	B	275/5.1	491/9.2	597/11.1	809/15.1	3,196/59.5	5,368
	C	271/5.3	465/9.0	578/11.2	801/15.5	3,039/59.0	5,154
2000	A	308/4.3	710/9.9	861/11.9	870/12.1	4.447/61.8	7,196
	B	297/4.5	635/9.7	783/12.0	854/13.1	3.968/60.7	6,536
	C	288/4.8	567/9.5	677/11.4	843/14.1	3,583/60.1	5,958

Above first figure indicates population in millions; second figure represents proportion per cent. Assmptions: (A) constant fertility; (B) "medium" fertility decline; (C) "fast" fertility decline.

intensified use of water, energy, and fertilisers. In either category, we face scarcity problems.

Global resources scarcities have a heavy impact on economic and political relationships among nations, in part because they affect so directly the living conditions within individual countries. They affect the very life styles of people, their dietary habits and their mode of transport.

The levels of protein intake in the Soviet Union, Japan and Bangladesh are directly affected by American farm export policies.

The level of thermostats and size of cars in the United States is inevitably influenced by production decisions of middle-east oil countries.

It is this global resource scarcity that makes the terms of access to needed resources at the international level such a politically sensitive issue.

embarrassing questions

Political leaders in the poor countries ask why a small segment of mankind living in the rich countries should be permitted to consume such a disproportionately large share of the earth's resources. What right have Americans, now only five per cent of the world population, to consume nearly a third of the earth's energy and minerals? This question is being raised in the various international forums where the allocation of resources among countries is discussed.

Any strategy to stabilise world population growth represents a compromise between the benefits of stabilising population immediately, as dictated by ecological, resource, or quality of life considerations, and the recognition that the required changes in human behaviour will not occur overnight, even under the best circumstances.

Because of the sharp contrast in fertility levels between the developed and the less developed countries, it is useful to separate these two groups of countries for strategy purposes. In the more developed countries, where populations are growing slowly, it should be possible to achieve stability much sooner than in less developed countries, where population growth rates generally remain rather high and the proportion of the population at child-bearing age is also high. Nearly a score of developed countries are already below or are approaching replacement level fertility.

Given the low birth rates in most industrial countries, a relatively modest further reduction in the crude birth rate would result in population stability. It is not unreasonable, then, to suggest that all the more developed countries should strive for population stability not later than 1985.

Once the genuine urgency of slowing population growth is recognised, and given the record already established by *several* less developed countries, it should be possible for all less developed countries making the appropriate effort to reduce birth rates to 25 per 1,000 by 1985. If the less developed countries could acomplish this in the next 11 years, a much smaller age group would enter the prime reproductive ages between the years 2005 and 2015; at that stage, it should be possible to take the final step, bringing the birth rate into balance with the death rate.

The proposed timetable for achieving population stability in all countries by 2015 would result in a world population of just under 6,000 million. To those familiar with demography, this will appear to be a radical proposal. It should be recognised, however, that this timetable does *not* call for any country to do anything which at least a few countries have not *already* succeeded in doing.

radical timetable

Even under this radical timetable for stabilising world population, the population of Mexico would still go from 50 million to 103 million, of India from 540 million to 968 million, and Nigeria from 55 million to 97 million.

Many will describe this proposal as naive, insisting that it is impossible to reduce fertility this rapidly. But is feeding, housing, educating and providing, jobs even for these sharply reduced future populations any easier? After wrestling with this set of problems for a while, one may conclude that reducing fertility may not be so difficult after all.

The changes required to cope successfully with the population threat are not marginal or trivial. They are fundamental changes that strike at the structure, functioning, and behaviour of society. They challenge many of the fundamental tenets or precepts on which our social and economic systems are based, including the pursuit of super-affluence among the affluent and the desire for large families among the poor.

The population threat demands an abrupt alteration of life styles. The near exclusive preoccupation of women with childbearing and rearing, characteristic of many traditional societies, cannot continue for much longer. At issue is whether we have the understanding and the political will to determine which way we should move, whether we can interpret the danger signals, the writing on the wall, or whether our backs eventually will be pressed so tightly against the wall that we will not be able to see the writing, much less read it and act upon it.

IV

China : Pressure on Food and Resources Denied

by **David Bonavia**

(Times, *Correspondent in Peking***)**

In no country are population statistics as uncertain as in China. Though foreign specialists calculate about 820 million, officials in Peking merely admit to "somewhat more than 700 million".

No official census has been carried out since 1953, when the population was put at 582 million (excluding Taiwan). There is no apparent reason why figures could not be collected from communes, street committees and other organs, to give a close estimate for the present day. Indeed, a head-count is known to have taken place in 1964. But the Chinese authorities consider it either unnecessary or undesirable to let the world know the real size of their nation.

China admits the validity of every normal argument for population control, except that which others consider most important: shortage of food and resources.

As Marxists, the Chinese profess to believe that human beings are the most precious form of capital, and that the idea of over-population is virtually self contradictory. On the other hand, they strongly advocate the planning of population growth to further "the interests of national construction, the thorough liberation of women, the protection of mothers, women and children, the bringing up of the younger generation. and the improvement of the people's health and national construction".

This is how the policy was summarised by the Chinese observer at the seventeenth session of the United Nations Population Commission in Generva last November.

An annual population growth rate of about two per cent is widely accepted for

China, though conditions vary greatly in ifferent parts of the country. It is official olicy, for instance, that population contol policies should not be applied to the inority races, such as Mongols, who nhabit the country's frontier areas.

However, the published evidence for a wo per cent growth rate is controversial. fficially population has increased by "a ittle more than 50 per cent" since 1949, ut this is hardly reconcilable with the ther figures given. So accurate estinates must await a new census.

Claiming that the grain output has inreased by more than double the rate of population increase, the Chinese say there is no question of needing to hold back population because of food shortage. Nevertheless, the authorities show keen interest in birth control. Last year, Chinese delegates attended the international conference on population planning in national welfare and development in Lahore, and in Peking a Planned Birth Office has been set up under the state council.

At present birth control is not treated as a topic of national importance in the major organs of propaganda (perhaps for prudish reasons). But programmes are pushed vigorously at the lowest levels — commune and factory clinics, for example, and street committees, which are largely run by women and take on major responsibilities for family welfare. Most, known physical methods of birth control as well as the pill and abortions, are available free.

Extra-marital intercourse is treated as a gross social transgression.

late marriages

Late marriage is encouraged: in cities especially, couples are subject to intense social and moral pressure not to marry before their middle or late twenties, and not then to have more than two children.

In the rural areas where four-fifths of population live, it has proved less easy to restrain the peasants from early marriage, and from having more than two children, because there is still often family pressure to produce a son. Reduction infant mortality and raising of the average life-span through improved medical care have also contributed to population growth.

How can the Chinese sustain the argument that increased population does not press on food resources?

Broadly speaking, the policy is to encourage peasants in every area to haul themselves up by thir own bootstraps, without excessive reliance either on cash or on aid from the state. A pair of hands is regarded as a guarantee of subsistence for more than one person, provided the motivation and organisation are right.

Many people in the West will remain sceptical of the Chinese argument, believing that the answer to world food supply problems lies in rapid modernisation of agriculture combined with market-orientated incentives for the peasants, and in all-but-desperate measures to bring the population boom under control.

The Chinese also favour modernisation, but only so far as it can be achieved without reliance on foreign capital aid; and they largely reject market incentives. Meanwhile they dig.

V

The Story of Nanje Gowda of Hosahalli

by **H. Leslie Kirkley**

(*Director of Oxfam*)

FIVE MILES along a dirt road that leads from the eleventh century temple town of Melkote, in Mysore state, is the village of Hosahalli. It is typical of much of rural India—remote and rudimentary, without even a shop, yet infiltrated by modern methods and ideas.

Nanje Gowda has lived in Hosahalli for most of his 80 years. When he was younger he inherited 10 barren acres and married a barren wife. He married again and fathered six sons and two daughters, who live with him together with five daughters-in-law and 13 grandchildren.

By careful handling of his affairs and by having enough sons to share the work Nanje Gowda and his family now have 20 acres, partly irrigated by a large well dug by his sons. They grow a varied range of crops and have turned their land into a bright patch of green in the general barrenness of their valley. Although still in debt, they are better off than most of their neighbours.

Susheelama, the 22-year-old wife of one of the sons, has just given birth to her third child. Behind the arrival of this new member of the human race lie two significant facts. First, the family broke with tradition and employed a *harijan* (untouchable) at the birth, since this woman is the most expert local midwife. Second, the young parents are interested in the possibility of calling a halt after this child.

They consider that there are enough members of the family to cope with present and future needs; but this attitude brings them into sharp conflict with the grandparents, who believe that children come from God and that nobody should interfere with that process.

The experience of this extended Indian family is broadly representative of millions of families throughout the rural areas of developing countries. They live, work and make love in a world of their own. They follow the traditions of generations, never moving from the same hillside or valley. They are far from their nation's capital — let alone from Bucharest—and they feel removed from the decisions which administrators ponder on their behalf.

It was late in 1964 that Oxfam came out in support of certain family planning programmes, ahead of the United Nations and many other agencies. Attitudes have changed so remarkably since then that it is difficult to imagine newspapers in London and Washington today reporting as important news—as they did 10 years ago —this decision by a small voluntary agency.

It was a contentious decision to take, temporarily alienating some of the substantial Roman Catholic support being received at the time; but it arose from the growing realization by many field workers that poverty and the size of families were two sides of the same coin — that it was hypocritical, if not downright irresponsible, to undertake humanitarian work yet shy away from the causes and effects of too many children.

insult to intelligence

Since 1964 organizations such as Oxfam have learnt a lot, albeit slowly and often by the hard way. We have realized that the pressures, which bear upon the urban poor in considering family size are usually very different from the needs and wants of the subsistence farmer. The admonishments and best intentions of much standard family planning propaganda can make sense to those living in a cash economy, but to the likes of Nanje Gowda they are an insult to the intelligence.

Unless the question of family size is approached from the broad base of each family's total social and economic situation a great deal of talk and effort can be wasted. Education, improved maternal and child health services, community developments in countryside as well as town —all these influence the conscious choices of individuals and, wherever possible, have to be interlocked with family planning programmes and conducted with a keen sensitivity to the real needs of ordinary people.

Ways have to be found to convince farmers that a large family is not the only means of insuring for old age; that it is possible for the first children to survive healthily and that a large number of children is not in itself a wise criterion for assessing social status.

As likely as not, the women gathered round village wells, hold the key to a solution to much of the population problem. They speak out, boast or complain of the indifference and the temperaments of their husbands and of the attitudes of their mothers-in-law, two determining institutions in the concept of fertility.

right answers

If only they could be encouraged, as some have been—for example in China, where the political and economic emancipation of women has been an important factor in successful birth control—to voice their views on the needs and aspirations of their sex, their social status and importance to the resource pattern of any society, then we should be nearer to finding the right answers.

Much that hampers any efforts aimed at checking the population explosion comes from traditional masculine influences and attitudes. A recent Oxfam report from Guatemala states that many women "initiate their child-bearing at a young age and when 25 or 30 years old appear like old women". And the unfortunate corollary to this kind of situation is that women who fail to produce children are all too frequently cast aside and lose any position in the social structure.

Women hold the key to change in the village because it is they who will first be liberated by it. And they will be called on to carry out the change in their roles as food cultivators, child-bearers and early educators of the new generation. In all my travels I have met few women with families, however "ignorant", who would not grasp at some way of having fewer children. The best family planning propaganda, the best nutrition education there can be, is to give these women a say in what they can do with their lives.

We must be careful in our population propaganda that we do not end up talking to ourselves instead of reaching the people. Overcrowding may be horrific to us. It is hardly a threat to the Third World farmers who leave their wide open but poor countryside to cram into teeming slums in the city. An outside chance to earn some money makes the overcrowded slum an attraction.

If the birth rate in the *favelas* of Brazil were to be halved within a year, would that help to speed land reform, or stengthen the cooperative movement, so these two-child families could be drawn back to the land? If Ethiopia's population were to be reduced by one third at a stroke, would this stimulate the landlord to give some land to the remaining landless?

It is becoming clearer to us all that in the matter of population there are no global control solutions, critical as the problem is. Overpopulation may be partly a result of progress in reducing the mortality rate. But it is a symptom of poverty, not a cause of poverty. The battle is not against "too many people", it is against poverty — on behalf of people. If this battle is joined globally —if we can reduce poverty and simultaneously increase the quality of life and the opportunities for people in the countryside—then the world has a chance.

It is useful that so much attention and so many resources are being focussed on this World Population Year. We have to chase these resources, now earmarked and publicized as population funds, into the struggle against poverty as a whole.

VI

Doubts Over India's Programme

by **Michael Hornsby**

(**Times**, *New Delhi Correspondent*)

About 15 per cent of the world's inhabitants now live in India, which, however, consitutes only little more than two per cent of tworld's land area. This year India's population, which grew by 2.2 per cent annually over the past decade, rose to more than 580 million. By the turn of the century, if there were no decline in present fertility levels and the death rates continued to fall, the country could find itself with a population of 1,230 million.

India's present birth rate of 38 births for every 1,000 people means that a baby is born every one and a half seconds, 57,000 babies are born every day, and 21 million are born every year. More than 22 per cent of babies are born to families already possessing five or more children.

With the mortality rate running at 16 deaths for every 1,000 people, eight million deaths occur every year. Thus India's population is growing annually by 13 million people.

The basic arithmetical cause of this growth is that modern medical science has dramatically lowered the death rate without as yet effecting any comparable reduction of the birth rate. The turning-point for India came about 1920, when the annual birth and death rates were almost the same, standing at 49.2 and 48.6 for every 1,000 people respectively. Since then the gap between the two has steadily widened and may have to widen further before it can be narrowed.

For India's death rate is still very high by international standards (neighbouring Ceylon's is about half that of India). The incidence of infant mortality is particularly high; two fifths of all deaths in India are of children under the age of five. The uncertainty of survival, in a society that traditionally values the large family, is thought to be an important inducement to parents to have more children than they actually desire.

India has had a government-sponsored family planning programme since the early 1950s, though it has been pursued with seriousness only in the past eight years or so. During the fourth five-year economic Plan, which concluded earlier this year, expenditure on family planning accounted for somewhat less than two per cent of the total plan outlay.

In the current five-year Plan some $280 million has been allocated to family planning, or less than one per cent of the total Plan outlay of $29,000 million.

In part this reflects the still low budgetary priority accorded to family planning as well as the general economic difficulties facing the country. It also reflects growing doubt about the effectiveness of the birth control programme pursued so far and about whether the results justify the sums of money—in absolute terms quite large —being spent on it.

target abandoned

Only last year the government was obliged to abandon its target of reducing the birth rate of 25 for every 1,000 people by 1980 in favour of the (still optimistic) goal of 30 for every 1,000.

Although there is doubt about the reliability of India's birth rate statistics, it is generally accepted that there has been some decline in fertility over the past decade. But it is far from clear to what extent the family planning programme should take the credit for this.

Through a variety of methods, including mass sterilisations, intra-uterine device

(IUD) insertions, abortion and distribution of condoms, diaphragms, foams and jellies, the government claims to have "protected" 15.6 per cent of the 103 million couples in the reproductive age group and to have "averted" 16,600,000 births as of March of this year.

Such concepts are, however, regarded with great scepticism by most demographers. Certainly the government's methods of calculation seem somewhat arbitrary. It is assumed, for example, that three IUD insertions plus 12 annual uses of other contraceptives are equal to one sterilisation.

For this purpose it is further assumed that 72 condoms distributed are equivalent to one year's use by one couple — a highly dubious piece of guesswork. Even in the case of sterilisations it is known that many of those treated have been demographically irrelevant (for instance men with wives over the age of 45).

radical reappraisal

The whole programme is now undergoing a radical reappraisal. One effect of this has been the sharp curtailment of the previously much advertised mass sterilisation camps offering high cash incentives; as a result the number of persons sterilised in 1973-74 dropped to 9,10,000 from 3,120,000 the previous year.

Partly designed to curb expenditure, this development also reflects a change of emphasis. Hitherto population growth has been accepted as a main cause of Indian poverty, and efforts have been concentrated on the search for the most effective contraceptive technique for the Indian masses.

This clinical approach now widely felt to have failed, or at least to have neglected socio-economic factors that are ultimately more important in determining the level of fertility in a particular community than any purely mechanical means of birth control.

It is also now recognised that the relationship between population and poverty is much more complex than had been assumed and that greater efforts must be made to persuade people to accept birth control as part of a wider programme designed to raise standards of health and of living.

On the macro-economic level the causal relationship between population growth and poverty seems incontrovertible. The ever-growing number of people who must be supported on a fixed quantity of land and only slowly expanding supplies of food and capital resources has negated much of the modest economic growth India has enjoyed since independence, with the result that a greater proportion of population is probably now living below an austerely drawn poverty-line than at independence.

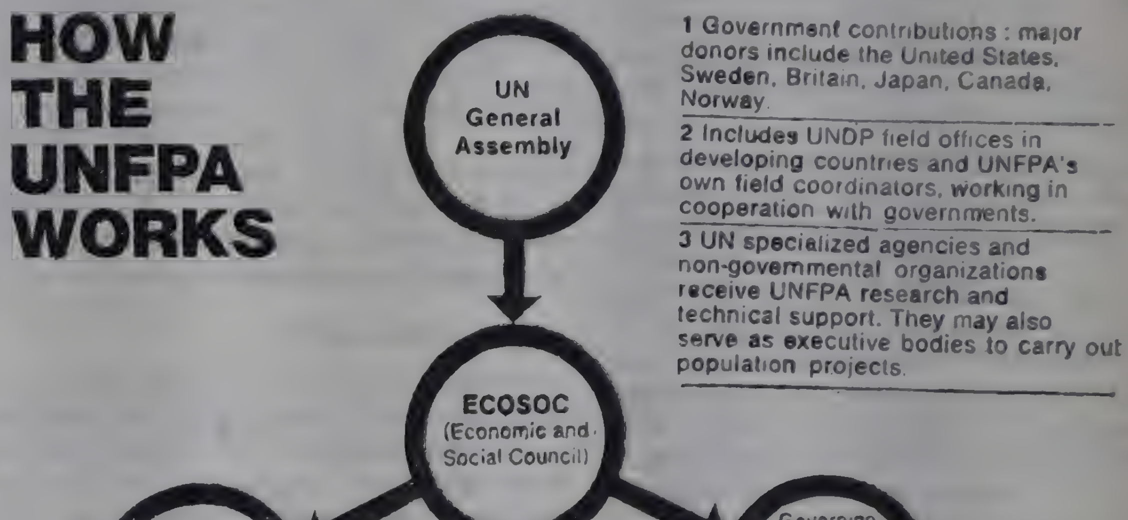
At the level of the individual family, however, this perception does not necessarily translate into a desire for fewer children. In urban areas the decline in fertility has been more marked than elsewhere, reflecting not merely the greater education and receptivity to birth control of town dwellers but also economic advantages, in urban conditions of high inflation, unemployment and housing shortages, of reducing family size. These pressures, however, do not operate in the same way in the countryside, where 80 per cent of Indians live.

Many non-economic factors come into play. Among these are the value placed on fertility in Indian culture and the tradition of early marriage. On average, Indian women are only 26 by the time they have had their third child. But there is a good deal of evidence to suggest that there is also a strong economic incentive for both the agricultural landed class and the landless to have large families. Until this situation changes birth control policies are unlikely to be successful.

For the landed farmer children, while still at school, can look after the cattle and help with the housework. Later, boys can replace hired labour, effecting savings that outweigh any increase in household maintenance costs. Moreover, the cost of having a child declines with each addition to the family, while the benefits increase. A large family is also virtually the only form of social security for parents in old age.

The landless labourer depends on employment during the critical harvesting and sowing seasons. Children, both male and female, can do useful work at these times.

Whatever new approach emerges from the present reconsideration of family planning policy, 1,000 million Indians by the year 2000 is a very real and, some



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1 Government contributions : major donors include the United States, Sweden, Britain, Japan, Canada, Norway.

2 Includes UNDP field offices in developing countries and UNFPA's own field coordinators, working in cooperation with governments.

3 UN specialized agencies and non-governmental organizations receive UNFPA research and technical support. They may also serve as executive bodies to carry out population projects.

UN General Assembly
ECOSOC (Economic and Social Council)
UN Population Commission
Governing Council, UN Development Programme
Policy guidelines
Advice information
Programme guidelines/ financial authority
UN Fund for Population Activities
$175m from 69 nations (1969-74)
Requests
Allocations
Field organization
Allocations
Needs
Allocations
Recipients (developing countries)
Technical inputs
Technical assistance³
Authority
Resources

would say, unavoidable prospect unless, perhaps for the first time in world history, population pressure leads to a Malthusian rise in mortality.

VII

What "Keeping a Watch on Population" Means

by **Brian Johnson**

(Director of the Institute for the Study of International Organisation)

Since the mid-1960s, the growth industry of population studies has left the human fertility explosion far behind. But despite all the dollars and the diligence in statistical demography and every aspect of human reproductive behaviour, there remains a void in the centre of population studies.

The void remains unfilled partly for ideological, but largely for institutional reasons: a tendency towards conventional specialism on the part of demographers has been accompanied by the familiar phenomenon of territorial defensiveness. Demographers have generally adhered closely to the *Oxford Dictionary's* definition of their field: "that branch of anthropology which treats of the statistics of births, deaths, diseases etc".

Thus a World Health Organization population consultant can write recently that "there is no evidence from death rates, birth rates, sickness rate, or any other biological measurement, of a deficiency of necessary resources to maintain life at a high standard". At the same time, ecologists, environmentalists and increasing numbers of economists and even politicians are assuming that population growth is a crucial factor in determining the future prospects for our species.

who is right?

Who is right? How much does the WHO consultant know about "any other biological measurement" as so to feel confident in making such an assertion? His article concentrates on past evidence of available nutrition, based solely upon birth, death and disease statistics. But what about the future? What about the genetic risks of crop collapses due to monoculture, for example, when we have twice as many mouths to feed? And why should problems of population in relation to environmental carrying capacity be restricted to biological definition? Why not geophysical measurement, or geological, climatological or oceanographic?

It is becoming increasingly clear that underlying forces in these non-biological, non-anthropological spheres are affecting (climate change and Sahel starvation) and will affect (eventual limits to growth) the population prospects of man. Then there is the overwhelming importance of the political factor which largely dictates peoples' and countries' share of world resources, and their choice of technology and lifestyle which makes them seek (or "need") those resources.

But we blunder on. "No problem" and "crash programme" schools of thought continue to slug it out. What is needed in this World Population Year is an initiative that will encourage each country to thrash out its own view of its population's future in a knowledge that others are doing so too.

What have demographers to say on these matters? Little that is scientific and yet based upon a holistic view of the population-resources-environment interrelationships. This is hardly surprising, as our concern with the picture of population in its total environmental context is so recent.

But after the storms raised by the Club of Rome's *Limits to Growth* report, some demographers and other social and political scientists are beginning to examine what sorts of environmental and technological as well as economic, social and demographic studies are needed for governments to adopt population policies designed to adjust resource-to-population ratios. Some of them are also beginning to recognize that such studies cannot sensibly be tackled globally, but must be mounted at the national level, where political consciousness resides and where decisions and actions must be taken.

population watch

Integrated "futures" studies of this sort would naturally mesh with the new vein of interest in social objectives beyond pure economic index targets. That this trend is strongly on the increase is clearly indicated by preparations for the midpoint review of the United Nations second development decade. A "population watch" representing the population component to such new total-resource futurology should obviously be integrated into this review process. But beyond this immediate concern, "population impact studies" should be a crucial preliminary to the much longer-term development strategy which all countries now need.

Any proposal for a worldwide "population watch" must face the fact that different governments worry about their long-term policies at widely different rates. But this is itself a major reason for urgency in setting up a system of national "snapshot photographs" of expectations. Such a system should be an essential part of any planning of national goals which could lead to a gradual mutual modification of international expectations.

The resource crisis is bringing such thinking rapidly to the fore, but countries today are still making plans on the basis of vague assumptions that somehow other nations' technologies or resources will become available for them to use and that their share of the carrying capacity of the global "commons" of atmosphere and oceans will remain unspoiled by others for the time when they need them.

In the absence of a "mutual modification" of expectations, politico-economic forces are likely to consign many countries to permanent underdevelopment and continual semi-starvation. Military sovereignty and technology will offer scant protection against technological robbery of the means to growth.

Ironically, it is precisely a recognition among Third World countries of the feebleness of their national defences which may stimulate an interest in studies of population in relation to use of resources and environment — so long as these can be conducted at the national level, with the initiative coming from national governments.

environmental demographers

The great bulk of expert knowledge necessary for such studies already exists (albeit dispersed among several disciplines) in the advanced countries, but the Third World will need outside help. Yet the poorer countries are bound to regard foreign "environmental demographers" as at least as threatening as executives of multinational companies.

Such suspicions are not likely to be overcome unless developing countries first see the findings of population-resource environment studies for developed countries. Any proposal for a population watch related to resources and environment should therefore call upon the countries that now make the greatest claims on world resources and environment to undertake such studies in the first instance.

The United Nations draft world population plan of action, about to be presented to the World Population Conference, contains recommendations for continued national action to improve health, check fertility, conduct research, promote education and so on. But it lacks a single new initiative that could capture the public imagination. A decentralized population watch, preferably as a component to the Earthwatch programme that was agreed at the Stockholm Environment Conference of 1972, would mark the World Population Conference of 1974 as a major step forward both in demographic and planetary thinking.

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BOOKS BRIEFLY

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What ails the steel industry ?

Productivity Trends in Iron and Steel Industry in India: National Productivity Council, New Delhi; 1974; Pp 76; Price Rs 20.

Economic and Employment Potential of Archaeological Monuments in India: Rajesh K. Agarwal and Sudesh Nangia: Economic Research Division of Birla Institute of Scientific Research, New Delhi; Asia Publishing House; Pp 78; Price Rs 20.

Changes in the Per Capita Income and Per Capita Availability of Essential Commodities in India Since 1931: S.M. Kansal; Economic and Scientific Research Foundation, New Delhi; Pp 46; Price Rs 12.

Higher Education in India: Edited by K. Santhanam; 1974; Pp 104; Price Rs 2.50.

Anatomy of Inflation: D.H. Pai Panandiker: Centre for Monetary Research, New Delhi; 1974; Pp 111; Price Rs 15.

India's Development Experience: Tarlok Singh; Macmillan India; 1974; Pp 458; Price Rs 50.

Iron and steel industry constitutes one of the core sectors of the Indian economy receiving a major share of the plan resources of the economy. One is therefore naturally curious to know how the iron and steel industry is progressing. We are also aware that performance of the industry, especially of the three units in the public sector, has been the subject of public debate. Hardly any attempt has been made however to study systematically the productivity trends in the industry or to analyse the various problems that confront the industry. *Productivity Trends In Iron and Steel Industry In India* makes an attempt to fill the gap. The study makes an attempt to measure the level of efficiency with which basic inputs like men, material and machines have been utilised by the industry. It also studies industry-wise trends and inter-firm variations in the performance of the five major steel plants in the country, namely, TISCO, ISCO, Bhilai, Durgapur and Rurkela. The study also identifies certain areas where improvement is necessary. In view of the basic importance of the iron and steel industry to the Indian economy and to practically every sector and consumer, one is eager to know the state of affairs in the industry.

The record of the iron and steel industry in India between 1946 and 1969 presents a mixed picture. Though the aggregate output increased five-fold during the period under review, the industry generally failed to cope with the planned requirement. During these 25 years, steel capacity has risen from about 1.5 million tonnes of ingot in 1946 to about nine million tonnes in 1969-70. It is unfortunate that as compared to capacity, actual production has moved at a slower rate i.e. from about 1.3 million tonnes of ingot in 1946-47 to about 6.5 million tonnes in 1969-70. The fourth Plan envisaged that the capacity would be stepped up from nine million tonnes in 1969-70 to about 12 million tonnes in 1973-74 and the actual production was supposed to grow from 6.5 million tonnes in 1969-70 to about 10.8 million tonnes. But the actual achievement in the year 1973-74 only touched the figure of about seven million tonnes.

creeping shortages

Part of the difficulties of the industry had their origin in general economic conditions of the Indian economy, widespread shortage of foreign exchange experienced during 1960s, the general industrial recession of 1965-67 and consequent slack in planned capital formation in the economy, creeping shortage of electrical energy and coal, lack of technical and managerial manpower, deteriorating quality of coal and iron ore and bottlenecks in transport facilities. Many of these hurdles still continue to hamper the rapid growth of the industry. The lack of coordinated effort to plan the production of iron ore, coal and transport facilities, especially railway facilities, to meet the ever increasing demands of the industry is the other contributory factor responsible for the slower growth of the industry. This study rightly maintains that "while it is true that some of these problems are inherent in the transitionary phase of an essentially non-industrial economy into an industrial one, greater care in planning the expansion programmes would have eased the impact of these bottlenecks on the industry."

We notice from this study that the share of iron and steel industry in total industry both in terms of input and output had been on the increase up to 1964-65 and has then shown a marginal decline during subsequent years. The highest increase is shown by capital invested in the industry. Total productive capital employed by the industry as a proportion of total industrial capital increased from about 8.86 per cent in 1946 to about 24.69 per cent in 1962 and then declined to about 14.59 per cent in 1969. Even though the shares of industry in the value of output, value added and employment of industrial labour are also on the increase, the order of increase is comparatively low. Disproportionate growth of capital and labour on the one hand and capital and output on the other, has led to a further deepening of the already high relative capital intensity of the industry. This has resulted in a deteriorating capital output ratio. Thus while in 1962 about 24.69 per cent of capital was invested in the industry against which it accounted for about 7.91 per cent of industrial employment and 9.87 per cent of total industrial output, in 1969 the industry accounted for 14.59 per cent of industrial labour and produced about 8.77 per cent of the total industrial output.

measurement of productivity

The study has made an attempt to measure productivity in the industry. While the concept of productivity is fairly clear and measurable, it is very difficult in fact to measure changes in productivity of different inputs like labour and capital as productivity is a combined function of many variables. This study appears to have brushed aside all the difficulties and link straightaway total labour with total output and work out changes in the productivity of labour and in a similar manner productivity of capital.

According to the study, while labour productivity has shown remarkable increase by whatever indices labour productivity is measured, capital productivity has undergone a heavy erosion. Thus, while gross income per worker has increased by an average rate of growth of 21.5 per cent, gross-value added per worker increased by 11 per cent per annum and physical output (tonnes of ingot) per worker has increased by 1.2 per cent per annum, gross income as percentage of gross capital has declined from 280.4 in 1952 to 76.6 in 1969. Gross value added as percentage of gross capital also declined from 128.3 in 1952 to 24.0 in 1969. Naturally capital per tonne of steel has undergone rapid increases almost corresponding to the decline in output capital ratio from about Rs 195 in 1946, the tonnage requirement of capital has increased to about Rs 1,743 in 1969.

These opposite tendencies in productivity indices of labour and capital could be explained by what is known as capital intensity measured by capital labour ratio. This ratio has undergone phenomenal increase of approximately 44 per cent during the period under review. This implies that increase in labour productivity in the industry has been achieved mainly through capital intensification, while steady decline in the productivity of capital might be the indicator of the diminishing return to capital, inevitable result of a rapid expansion of the iron and steel industry and inefficient use of capital.

price policy

The study has also pointed out that part of the illness of the industry is due to lack of suitable price policy for steel products. Up to mid-sixties, the price policy did not take care of the prevailing cost of production. Raj Committee had opined that the retention price did not adequately reflect the real cost of producing steel in India and increments in the selling price did not match increments in costs during much of the past decade. Increases in prices of iron ore, coal and electricity which are the main inputs of the industry are much higher than increases in the price of steel. The study tells us that the estimated increase in the works cost per tonne of ingot produced is of the order of 20.66 per cent per annum for the period 1946 to 1969, while the increases in the prices of many finished items show lower rates of increases (light bars 8.5 per cent, structurals 9.39 per cent, black sheets 11.31 per cent and plates 12.35 per cent) during the same period. While there might be good reasons to keep the steel prices low, the impact of low prices on the industry's performance must not be ignored. Such a price policy has resulted in reduction in the surplus generating capacity of the industry during the period under review.

An inter-firm comparison of some of the important aspects of industry is extremely revealing. It is found that capital cost per tonne of end product differs widely from one firm to another. Thus public sector steel mills are found to have higher capital costs than those of steel mills in the private sector. Capital output relationship also turns out to be unfavourable in the case of public sector steel mills compared to steel mills in the private sector. It is also found that all the units of HSL are operating much below their rated capacity, particularly in the later part of the sixties.

Though this study is quite important and has broken fresh ground, it could not cover many other aspects due to non-availability of material and statistical data. There will have to be deep exploration of various aspects of the iron and steel industry such as cost price relationship, extent and causes of under-utilisation of capacity, transport bottlenecks, manpower requirements, extent of unproductive consumption of steel by the consumer sector, extent of capital substitution and its impact on productivities of labour and capital and causes and consequences of labour unrest. The study rightly maintains that unless all the important aspects are explored satisfactory detailed remedial measures cannot be suggested.

Though enormous industrial expansion has taken place in India after independence, both public and private sector industrial units suffer from many evils. Hardly any establishment in either sector has carried out an exhaustive enquiry of the type suggested by this study. Whatever progress that has come about seems to be based more on guess work, pragmatic approach and sheltered nature of the markets than an scientific analysis of various problems before the industrial units. If the industrial structure in India is to be based on sounder foundations and if the progress along right lines is to be achieved, detailed enquiries of the nature indicated in this study will have to be carried out by all the important units both in the public and private sectors. It is only on such studies that sound policies for developing industries in India can be based.

Economics of Archaeology

Having read books on planning, agriculture and inflation umpteen number of times, one is inclined to welcome this book for sheer novelty and freshness of approach to a subject which would appear to have practically nothing to do with economics.

Economic and Employment Potential of Archaeological Monuments in India: aims at generating "a meaningful dialogue on the economic and employment potential of archaeological monuments in India and more specifically on the measures to realise their potential." This should prove of special significance in view of our aim of creating more and more gainful employment opportunities for all types of skills in the country.

It has been rightly pointed out by the authors that India has a rich heritage of ancient monuments which for variety, extent and beauty remains unsurpassed in the world. The Archaeological Survey of India (ASI) has about 3,500 protected monuments and sites on its list. This certainly does not exhaust the list of monuments in the country. The vast number of archaeological monuments in India can be roughly assessed from the fact that Delhi alone has a total of 1,314 monuments of which only 166 are protected!

items of revenue

These archaeological monuments have a number of economic implications. The expenditure by the ASI is incurred primarily on the maintenance and conservation of protected monuments. The main items of revenue from the monuments are entry-fee, lease of stalls, of parking space, of land, sale of grass and fruits and fees from the licensed guides and photographers. During 1969-70 the ASI spent Rs 2.5 million on maintenance and special repairs, the amount rising to 4.1 million during 1970-71. The ASI's revenue rose from Rs 1.2 million in 1969-70 to Rs 2 million in 1970-71. It is found that expenditure of ASI has always been exceeding its revenue. Quite a substantial part of ASI's expenditure relates to the maintenance of regular staff.

Monuments of national importance have been generating both direct and indirect employment. Direct employment can be computed from the records of ASI while indirect employment can only be estimated. In 1972-73 the ASI had a staff of 5,155 in addition to temporary workers employed from time to time for special repairs. During 1971-72 the number of such workers was about 1000. Excavation of monument sites also provides employment to many workers. The museums and libraries attached to monuments provide employment opportunities too. The epigraphic inscriptions on the monuments create employment for the specialised and trained personnel. The maintenance of archaeological gardens is a further source of employment.

Apart from direct employment, the archaeological monuments provide indirect employment the magnitude of which depends upon several factors such as accessibility of monuments, number of tourists visiting them, nearness of inhabited settlements and several other factors. Shopping centres, private canteens, taxi stands, buses and scooter-rikshaws, petty vendors are some of the sources of indirect employment. The ratio of direct to indirect employment at Red Fort worked out at 1:2. The foreign tourist traffic has jumped up from 2.5 lakhs in 1970-71 to four lakhs in 1972-73 and the total number of visitors to the famous Taj was about a million in 1971-72. If a number of facilities are provided at the listed monuments and hundreds of monuments which not listed at present are turned into protected monuments and various facilities to tourists are provided there, the number of both home and foreign tourists is bound to shoot up thus providing vast employment opportunities both directly and indirectly. It is unfortunate that in spite of the fact that these archaeological monuments help to secure foreign exchange worth about Rs 50 crores annually and possess great employment potential, the fourth five-year Plan does not make even a single reference to the importance of archaeological monuments in its programme for the development of tourism.

practical suggestion

In order to make archaeological monuments in India more attractive to home and foreign tourists and enable them to provide more employment opportunities, the authors have made a number of very practicable suggestions. Their suggestions pertain to investigation of tourist potential of monuments, bringing more monuments in the list of protected monuments, proper maintenance of monuments by appointing more attendants, provision of infrastructure facilities (such as good roads, efficient transportation, tourist rest houses, snack bars, swimming pools, open air amphitheatres, picnic spots etc., etc.), provision of trained guides, provision of drinking water and toilet facilities, addition of mini-museums to monuments wherever possible, charging fees, provision of better approach roads to monuments, board and lodging facilities near the monuments, employing 'old' craftsmen to repair monuments in the original manner, improvement of landscape around the monuments, provision of detailed information about monuments to tourists and building an efficient data-bank for research which might throw more light on monuments.

The authors have calculated that "even a modest annual outlay of Rs 10 crores would create over 165,000 jobs, which in their turn would support well over 660 thousand people." The authors have suggested that this sum can be raised through contributions by departments of Education, Tourism, private and institutional contributions and from the relevant agencies of the United Nations Organisation which for maintenance and preservation of monuments have already provided funds to Egypt, Columbia, Pakistan, Peru, Chile and Tunisia.

This is a novel study characterised by fresh approach, extremely interesting details about monuments (especially around Delhi) and practicable suggestions to improve the state of affairs prevailing at the present. Would the minister of state in the ministry of Tourism and Civil Aviation bring some fresh outlook to this problem which among other things has great employment potentialities?

Per Capita Income

What has been the impact of the much advertised five-year Plans adopted since 1951 on the standard of living of Indian people? Are people better of today than in 1930s?

Changes in the Per Capita Income and Per Capita Availability of Essential Commodities in India Since 1931 is an excellent monograph which reviews changes in income and consumption patterns in India during the past four decades, that is 1930-31 to 1970-71, and also makes an attempt to project the desired level of essential consumption up to the year 2000.

The author has worked out that the real per capita income (at 1948-49 prices) for all purposes stagnated during the period 1931-32 to 1950-51, increasing only marginally from Rs 244 in 1931-32 to Rs 249 in 1950-51 i.e. by about two per cent during the twenty year period. Relatively the growth of per capita income during 1950-51 to 1970-71 was fairly rapid rising from Rs 249 in 1950-51 to Rs 327 in 1970-71, registring an increase of about 31 per cent during the twenty years period. The growth of aggregate national income during 1951 to 1971 was in fact much higher (i.e. 3.5 per cent per annum), but as the population nearly doubled during the same period, the rate of growth of per capita income was relatively lower. It should be noted that in case of Japan, the growth rate of gross national product in real terms during 1953-71 was around 9.8 per cent per annum and per capita income grew at an annual average rate of about 8.7 per cent, compared to the Indian growth rate of about 1.4 per cent per annum!

As regards availability of essential commodities and services, it is found that in India the level of per capita availability of most of the food items (except sugar and oils) was higher in 1931-32. It declined subsequently during 1931 to 1950 with the lowest per capita availability in 1950-51. In terms of nutritive value of food, the present supplies of calories and proteins are estimated to be around 2050 calories and 51 gms. of proteins against the standard nutritional requirements of about 2800 calories and 63 gms. of proteins. The maximum availability of these was observed in 1931-32, the figures being 2150 calories and 58 gms of proteins which later on declined in 1950-51 to 1800 calories and 47 gms of proteins.

In contrast to India's extremely unsatisfactory performance in regard to making foodgrains available to people, Japan has improved its food availability considerably during the past two decades. The average per capita availability of calories and proteins in Japan increased from 1900 calories and 49 gms of proteins in 1949-50 to 2450 calories and 75 gms of proteins in 1967-68, thus exceeding even the normative requirements.

Among the non-food essential consumer goods clothing is an important component of the level of living. It is found from the analysis that the availability of cloth in India has not improved significantly during the past four decades. It is found that availability of cloth was abut 13.2 metres in 1935; increased marginally to 13.7 metres in 1965-66 and later declined to 12.7 metres in 1970-71. Compared with Indian performance Japan has made remarkable progress in this regard, the per capita availability of cloth increasing from 32 metres in 1960 to about 56 metres in 1970.

limited progress

It is only in respect of some durable consumer goods and services such as education and medical facilities that India has made some progress during the past two decades. Of course in this regard also India is nowhere near Japan. Thus in Japan there is one car for every 15 persons in 1971 as against one for every 1000 persons in India and one telephone for every four persons in Japan as against one per every 400 persons in India. The consequence of all this is that while expectation of life in India has increased (more due to decline in death rate due to improved medical facilities and provisions of drinking water) from 27 years in 1931 to 50 years in 1971, the present expectation of life in Japan in 70 years!

In addition to surveying developments over four decades, the author has also worked out projections in regard to essential commodities and services up to the year 2000. On the basis of normative standards based on nutritional requirements, the total minimum requirements of foodgrains works out at 120 million tonnes in 1980-81, 138 million tonnes in 1990-91 and 157 million tons in 2000-01. The task of raising the calory intake of about 2000 in 1970-71 to the desired level of about 2300 by the year 2000-01 is challenging one. It is only if agricultural sector grows at the rate of about four to five per cent annually and the available rates in respect of foodgrains, milk, meat, fish and eggs increase steadily at rates varying from four to eight per cent per annum during the next quarter century, we in India will be in a position to enjoy a reasonable level of amenity and comfort by the year 2000.

What is democratic planning coming to? In the face of rising expectations, if even the rate of availability is increasing only at a snail's pace in this manner even after adoption of economic planning with the main purpose of raising the standard of living of the masses, it might be said that an explosive situation is developing which might undermine faith of the masses (whose actual standard of living must be deteriorating due to rising prices) both in democracy and economic planning. This raises two issues. Either we change radically our plan strategy to substantially raise the annual growth rate of the economy or, in addition, take drastic steps to reduce the population growth rate by methods not tried so far. If with all the huge industrial establishment, expanding public sector and infrastructure and the green revolution, majority of the people are becoming more and more miserable and are today living a worse life even when compared to the British days of exploitation of 1934, it is high time to ponder whether we have been following the right course since 1951. It is not merely the speed with which we run that matters but also the direction!

Higher Education

What is ailing our educational system? As in the case of weather everybody is talking about these ailments since independence or for even longer period but very little by way of radical reforms is being done. Is it that we are not in a position to diagnose the ailments or is it that we are incapable of taking remedial steps after correctly diagnosing the disease? *Higher Education In India* contains articles by eminent educationalists, Indian and foreign, which appeared in *Swarajya* of 1974, and deals with various problems of higher education in India.

What are the ailments which are affecting our higher education and what is being done to remove the defects? As K.R. Srinivas Iyengar has pointed out, during the last 75 years, physician after physician has made an attempt to feel the pulse of higher education in India. Curzon, Gokhale, Sadler, Hartog, Sargent, Radhakrishnan, C.R. Reddy, Lakshmanswami Mudliar, Kothari, the senates, academic councils, legislative assemblies and councils and even Parliament have been examining the patient and writing their prescriptions. But the patient is refusing to respond!

evils of the system

From the articles in this book and from the debates which are raging there seems to be agreement on the evils afflicting the present educational system in India. Problems of admission to colleges, favouritism and capitation fees, overcrowding of classes, inability of students to understand lectures which are formal and uninteresting, low quality of college teachers who are often recruited on grounds other than qualifications, exceedingly poor quality of texts and recommended books in regional languages, defective system of examination and manipulation of results at important examinations, are some of the evils which are now known to everyone. But there are also some additional and more serious evils which have made inroads into the higher education in India. Management of colleges by politicians and their lackeys, exploitation of the student community by political parties, irrelevance of the present system of higher education to life, rising unemployment and loss of faith of the student community in the educational system itself in surroundings that are characterised by blatant corruption, injustice, racketeering, profiteering and tyranny are more serious evils. Under such circumstances students are feeling alienated from the family, university and society at large. Developments in Gujarat and Bihar show that they have now become conscious of the student power.

How do we come out of the mess? Dr C.D. Deshmukh has suggested steps such as some changes in the constitutional provisions, raising the age of admission to colleges, evening colleges and correspondence courses for those who cannot enter colleges and providing intercalary year when students will work on rural projects, NCC training and learn English and general knowledge. After reading the suggestions made by C.D. Deshmukh to reform the education system which has all the conceivable defects, one gets the impression that the bureaucrat in Deshmukh never died, his UGC experience notwithstanding!

The article by K.R. Srinivas Iyengar is the most instructive and enjoyable. He has the knowledge, experience and sensitivity to understand deeply the problem of higher education in India in its totality. He maintains that "The heady pace of expansion, the paucity of resources, the mood of reckless piecemeal reform the choice of delaying procedures, the intrusion of politics and, above all, the lack of exacting standards of recruitment of teachers and enrolment of students might in course of time, make higher education a liability for the nation rather than its springboard for development." There is enough filth in every university and the holy Ganga itself is not equal to cleansing all the filth. He has pleaded for the courage to take right decisions more in consonance with the imperatives of our times.

The alienated and frustrated student of a community which has assumed the form of a standing revolutionary army is coming more and more under the influence of revolutionary gurus like Marcuse, Che Guevara, Frantz Fanon, Jules Debrary, R.D. Laing, Charu Mazumdar and Kanu Sanyal. The problem is to properly understand and try to contain student power by channelling it into worthy causes along non-violent lines. The worst thing would be to view the whole thing as law and order problem. What is needed is a revolutionary change in our educational system and not deceiving ourselves by asking for a little more money, a little reconstruction of the university act or curriculum or admission rules, or examination system.

revolutionary revaluation

The author maintains that "A more revolutionary revaluation of values is called for, a philosophy of education that would take note of the fact that the college student today denied light both at home and the academy, and exposed all the time to the fever and fret and poison and poverty... is waking up to ideals of his own appropriate to the conditions of the present atomic age of infinite possibilities and miserable realities." The author has faith that sundry teachers and students with faith and total dedication will by their own exertions and example stop the rot and give the right orientation to our higher education!

Then there are other educationists as also pseudo educationists who have suggested, according to their own lights, measures to improve the educational system. Thus Dr D.J. Reddy talks in terms of correspondence courses and open university; James A. Perkins has raised issues such as crisis of numbers, pressure on public funds and relevance of knowledge; Dr C.R. Mitra talks of research in educational planning on a continual basis; N.D. Sundaravadivelu pleads that "our students and teachers should not be dragged into the swift currents of contemporary politics"; K. Santhanam wants that higher education should depend upon possession of exceptional natural abilities, irrespective of caste and creed or other preferences, and decision to live dedicated, austere and exemplary life, none, however highly educated, receiving less than Rs 1000 and more than Rs 2500, but with plenty of leasure, library and laboratory facilities and with full scope for their activities. In effect this proposal implies revival of the old Brahminical tradition of simple living and high thinking with modern frills and parapharnelia. Some other educationists have made their experience in the educational fields in the USA, the UK, Federal Republic of Germany, and other European countries available to Indian educational planners to draw upon.

As in other fields, there is also great confusion in the educational field and the confusion is getting more and more confounded as a new tribe of 'educationists' has come up on the horizon since independence. Elected politicians put in charge of educational portfolio overnight become educationists and so do their lackeys made vice-chancellors of universities begin to seriously assume that they know all about education. Education appears to have fallen in the hands of those who should have been the last to handle it.

It is most unfortunate that since independence, government has been showing more concern for iron and steel and coal and electricity than for education which has been receiving residual attention and meagre funds. With the neglect of education the quality of the younger generation has been deteriorating so that present-day youth is without any convictions or sense of dedication. Some one has said, "Tell me what your youth is today and I will tell you what your country will be tomorrow." If this is true, our country appears to be going down the precipice. Neglect of education during the post-independence period will be put down as the greatest failure of the Indian government. By the neglect of education, the government has already written off the progress of the future generations of India!

Anatomy of Inflation

People everywhere have become frenzied about rapidly rising prices. Naturally economists have also caught this frenzy and are coming out with memoranda to the prime minister and the Semibombla and the government with various ordinances. It is no surprise therefore that D.H. Pai Panandiker of the Centre for Monetary Research, New Delhi, has also come out with his *Anatomy of Inflation*.

The author has described the different types of inflation that emerge in an economy, particularly in an agricultural economy like that of India. He has analysed the importance of foodgrains in the process of price determination, mechanism of the two types of inflation, namely 'deficit supply inflation' and 'excess demand inflation', and price trends in India during the past twentyfour years to locate the type of inflation that occurred at different times in the country. He has also suggested measures to restrain inflationary pressures in the economy.

The author has classified inflation into two broad categories, namely 'deficit supply inflation, and 'excess demand inflation'. In India the deficit supply inflation comes via the agricultural sector where production depends primarily on unpredictable monsoon. Given the level of demand and fluctuating production of agricultural production, marketable (marketed?) surplus suddenly falls short creating inflationary gap. It is to be noted that the inflationary gap pertains to that small but crucial part of agricultural production which is marked for urban consumption. A characteristic feature of the marketable surplus is that it is subject to far greater fluctuations than total agricultural production.

marketing surplus

A fall in agricultural production considerably reduces marketable surplus. Since this reduction in marketable surplus is generally more than proportionate to fall in total agricultural production, rise in the price of foodgrains due to fall in the agricultural production gets exaggerated. In a country such as India prices of foodgrains are of crucial importance since agricultural commodities constitute bulk of consumption of the working population. As such rise in agricultural prices pushes up wage rates and consequently cost of production. Since the rise in prices of industrial goods is roughly of the same order as increase in wage rates, the prices of industrial goods also rise, though their supply is fairly elastic. The author maintains that "since the deficit supply inflation is caused by shortfall in agricultural production, it has a minimum life span of a year. But inflation will last as long as the supply of agricultural commodities is not in consonance with the increase in income of the Non-Agricultural Sector."

'Excess demand inflation' is another type to which a developing economy is continually exposed. When the government attempts to push up economic growth rate beyond its 'natural' level, and if th rate of money supply is greater than th growth of marketable surplus of agricul tural commodities, in particular food grains, it would have inflationary bias Increased money supply pushes up th price level, 'though industrial prices ar likely to go up first and farther.' The inflationary process is kept going by th link between prices and wages and wil have to be continually backed up by expansion of money supply. The autho has warned that the two types of inflatio are not exclusive and the country can com under the spell of both the types of inflation at the same time.

agricultural development

As regards measures to fight inflatio in India, the author has put his faith i agricultural development. Agricultura production, particularly foodgrains, ha to increase as fast as possible so as t create a general state of abundance. Als demand for foodgrains and other essential commodities "has to be regulated b linking wages in non-agricultural secto to agricultural productivity." He is emphatic that "Agriculture sets the pac for price rise, whatever the type of inflation. Agriculture is the core of th economy, not steel and electronics If agriculture does not grow, no othe sector can grow." This is the gist o analysis and recommendations of Pa Panandiker.

Inflation, especially when prolonge over years, becomes an extremely comple phenomenon where every variable becomes a cause and also effect at the sam time. Any straightforward classifactor analysis of the phenomenon as has bee done by the author in this book appear inadequate. The problem must be viewe from the point of view of macrodynamic and not macrostatics. This implies tha the classifactory analysis is inadequate t provide adequate basis for evolving measures to solve the problems of inflation.

There is no doubt that agricultural se tor in India contributing nearly half GNP should receive due attention. is also true that shortfall in agricultur production and in marketed surplus ca cause price distortions and lead to i flation via wage hikes in a poor count such as India where foodgrains constitu a major item in most family budgets. B the author's implicit assumption that India shortfalls in agricultural product is the sole or at any rate the major cau of inflation appears to be of doubtful lidity. With satisfactory monsoon a good agricultural production of about 1 million tonnes plus import of about fo million tonnes in 1973, why was it t prices of agricultural commodities shot up by more than 20 per cent last year even after the harvest? Faulty policies in respect of distribution and hoarding by farmers and traders can more than neutralise the gains in agricultural production. If the commodity is not immediately perishable (and therefore can be stored to any extent) and if the demand for the commodity is extremely inelastic as in the case of foodgrains, prices of such commodities can rise to any level, irrespective of the amount produced. This is precisely what has been happening in India. The same is true in respect of a commodity such as sugar. Also while the agricultural sector should certainly receive adequate attention, industrial sector must not be neglected as agricultural progress needs fertilisers, electricity, cement and steel.

Also, even if agricultural production increases (as it has during the last 25 years when the production practically doubled), if however the government continues budgetary deficit policy, rise in incomes and high income-elasticity of demand for foodgrains would push up agricultural prices as also prices of other goods accentuating inflationary pressures.

disequilibrium in economy

It must be understood that inflationary condition means disequilibrium in practically all the sectors of the economy and in the economy as a whole. Inflation is generated essentially because the country is trying to develop its economy at a rate faster than the rate warranted by the actual rate of saving, in the process overheating the economy. The only way therefore to fight inflationary pressures is either to slow down the growth rate to the level of actual (natural) rate of saving or push up the community's rate of saving which means greater self-disciplining and willingness to bear sacrifices for future progress or do both. If growth rate is not to be reduced, controlling inflationary pressures would involve comprehensive policy involving not only more production in the agricultural sector, but also fiscal, monetary, income and wage policies. Even this may not prove effective, if inflationary pressures are operating at full speed in other countries with which international trade is being carried on. Continual rise in the price of a commodity such as petroleum and crude may completely upset the apple-cart, unless people show preparedness to undergo further hardships and sacrifices.

Pai Panandiker's analysis is not comprehensive. It is inadequate in most parts while some other parts are certainly not theoretically valid. While his emphasis on the agricultural sector is quite correct, it must be remembered that that alone is not enough. The author himself admits as much and contradicts himself when he writes that "inflation will last as long as the supply of agricultural commodities is not in consonance with the increase in income of the non-agricultural sector." Further, the author's failure to make a clear distinction between 'marketable surplus' and 'marketed surplus' which is vital to the analysis of inflation is inexplicable. The author's analysis that if prices are brought down suddenly, that will result in unemployment cannot be accepted. He is applying static equilibrium analysis to a short-term dynamic situation. This is unwarranted.

For example, the price of open market sugar rose from Rs 430 per quintal on August 1, 1974 to Rs 614 per quintal on September 18, 1974, giving sugar industry an extra profit of Rs 6 crores in August and of Rs 12 crores in September! Had the price rise of Rs 184 per quintal in less than two months any rlelation to costs? Price reduction under such circumstances will not have any impact on the level of employment. Also his suggestion that wages of the non-agricultural sector should be linked to productivity in the agricultural sector is not only impracticable but would mean choosing wrong means to achieve right ends.

heavy expenditure

Further, the author has dismissed the remedy of compulsory levy of foodgrains on landlords and farmers on the ground that that measure will involve very heavy expenditure on the part of the government and the amount could be better utilised by giving it directly to farmers to boost up agricultural production. Indians seem to have developed the knack of just not doing that which would solve the problem but doing something else that would add fuel to the fire! The government instead of imposing compulsory levy on agricultural producers, tried to impose compulsory levy on rice mills and wholesale traders investing huge amounts. They also banned carrying more than a small amount of foodgrains by consumers from one district to another. As we saw the results were disastrous and the government could procure less than one-third of the target. The author's suggestion that instead of government investing huge amount in direct procurement from farmers the amount should be given by way of loans etc. to farmers to produce more agricultural commodities looks quite attractive. Is the author ignorant of the fact that the government of Maharashtra invested Rs 700 crores directly and another Rs 500 crores were invested by cooperative institutions in the manner suggested by the author? Maharashtra produces less of agricultural commodities than it did ten years ago which means about Rs 1200 crores have gone down the drain, that is into the pockets of the supporters of the ruling political party.

The only remedy that will help fight inflation or contain inflationary pressures to the maximum possible extent would be to impose compulsory levy on producers giving them a reasonable return and distribute the foodgrains so acquired in a rational manner ensuring everyone minimum foodgrains. Once this is done and prices of minimum foodgrains required by consumers are stabilised, wages will automatically get stabilised thus stabilising prices of manufactured goods and the general price level. After all an alien government like the British government did that in India during the last war. And if someone objects to the system on grounds of enormous cost of such public procurement and distribution system, let him compare the costs with the benefits of feeding the entire nation and keeping them fairly satisfied! No costs will be too great for such an objective. But this is just what the government will not do. Possibily the government is afraid of wounding the big farmers and landed interests on whose support they manage to remain in power. It appears that the government has vested interest in keeping the prices rising. As some one has said, inflation in India has become more of a political issue than economic! Meanwhile economists and pseudo and part-time economists as also researchers from prestigeous-sounding research institutes would continue to write on inflation!

Development Experience

Tarlok Singh was associated very closely with India's Planning Commission and formulation of five-year Plans. Until 1967 when he resigned from the Planning Commission, he was at the centre of things and carried a major responsibility in the Planning Commission from its inception. Being in the know of things, he takes in his book *India's Development Experience*, a critical look backward on Indian planning since independence until India decided to take a Plan holiday in 1966 which he criticised as unwarranted defeatism. With the advantage of hindsight the author has made an attempt in this book to take a broad and rapid survey of economic developments since independence and pin down what can now be seen to have been faults, not only in regard to implementation but also in regard to important and basic choices made in several five-year Plans. The aim of the author is "to sift the experience of the past two decades and more and to present a basis for a fresh start in planning for India's economic and social development." The seventies will be most demanding and India, if it is to meet the varied and difficult challenges, will have to brace up and face up to the challenges on the basis of the experience which it has accumulated since 1951. Who is in a better position to guide us in this regard than Tarlok Singh?

The broad survey of economic developments during the planning period has listed some of the achievements to which it is not necessary to draw attention here. It is the critical look at our past failures that would stand us in good stead by providing reliable guidelines for the future. What are the faults found by the author and what are the lessons drawn for the future?

According to the author, "the rate at which the Indian economy has grown for two decades has been very low and gives cause for concern." He attributes low growth rate to three factors: (a) dependence of four-fifths of Indian agriculture on seasonal conditions, (b) insufficient emphasis in investment policies upon growth in each phase of development as a basis for growth in the succeeding phase and (c) the quality of management. This means the author is critical of heavy investments in the past in steel, heavy industries and machine-building and comparative neglect of agriculture and manpower resources. He is of the opinion that "there was need for a broader view of resources and their effective utilization for achieving growth and development."

short-range view

The author thinks that a limited and short-range view was taken of the nature of Indian agricultural problem and the success it is supposed to have achieved at the end of the first five-year Plan made us complacent leading to the neglect of fertilizers and land reforms in subsequent years. This also led us to concentrate during the second Plan period on basic and heavy industries and machine-building, taking "insufficient account of the time dimensions, the costs and the returns involved, the means available to the economy, and the precise manner in which the other related capacities would emerge from the proposed scheme of development, namely employment, savings, exports, surpluses and the ability to pay for imports." All this in simple terms means that the approach of bringing about economic development through capital goods industries (as the Soviet Union did) in contrast to development through consumer goods industries has been the cause of all subsequent ills which persist even today. In simpler terms this means Nehru's and Mahalanobis' fascination for the Soviet model has brought the country to the verge of ruin! A country where three out of every four persons are on the verge of starvation cannot afford to follow the path of development through capital goods industries involving long gestation period. It should have been foreseen that such an approach would mean scarcities of essential commodities, rising prices, misery of the masses, unemployment (due to capital-intensive methods adopted for basic industries), falling rate of saving and investment and lower growth rate. The approach adopted since 1956 was self-defeating!

economic instability

Economic stability is another matter which worries the author. According to him, in addition to monetary, physical and other policies, it involves reconsideration of "the entire pattern of development." Also he wants that economic development should at the same time achieve social development i.e. more and more people should participate in developmental activities and have a share in the growing prosperity. The same should apply to different regions. Obviously our planning has failed to achieve this so far. Also the author wants that there should be a move towards integration of the organised and the unorganised sectors through provision of financial and other infrastructure facilities to the unorganised sector in India. Our planning has failed so far to bring about this integration which is so essential for the progress of the vast number of agriculturists.

The author has drawn certain important lessons from his study in retrospect. According to him "agriculture, far more than industry will hold the key to self-reliant growth." He wants that resources available within the economy should be more effectively exploited. There is need especially to raise the productivity of agriculture and labour and make most economical use of foreign exchange resources. He wants that rise in the rate of domestic savings should be brought about by taxation policy. He has emphasised the necessity of widening the base of taxation for bringing all sctions of the community within the scope of taxation and by checking evasion and avoidance. According to him the rate of domestic saving should be pushed up also by 'restructuring agricultural units' and unorganised sectors and thus increasing their productivity. He has advocated labour-intensive techniques for production necessary to meet domestic requirements and capital intensive method to build efficient export sector. Finally, he is of the opinion that "the extensive institutional apparatus for research and the technical, scientific and skilled manpower now available can be put to far more effective and purposeful use than at present." Indian scientific talent now abroad should be brought back and absorbed in the mainstream of Indian life and asked to solve specific problems to stimulate economic development.

Tarlok Singh was involved with the Indian planning for so long that frankly he appears to be incapable of bringing a fresh look to Indian economy and Indian planning. He appears to think that basically Indian planning has proceeded along right lines and has developed potential which if properly exploited is capable of meeting India's challenges in the 1970s. All that is necessary is a little adjustment here and there — a little more emphasis on agriculture, agricultural inputs and land reforms, a little less emphasis on large scale basic industries requiring long gestation period, greater emphasis on labour-intensive methodology, rural reconstruction and so on and so forth. It is strange that some of the things done since 1956 were done at all and that it took nearly fifteen years for Tarlok Singh to know some of the basic things about Indian economy. The author's many statements are in such vague general terms — e.g. 'restructuring of agricultural units', broad view of resources and their effective utilisation' and so on, and are so often hedged by 'ifs' and 'buts', that often his analysis provides extremely unstable foundations on which to base definite policies.

mental blocks

When after more than twenty years of planning the per capita availability of foodgrains and other essential commodities is at present lower than what it was in 1934 (as indicated in one of the columns in these reviews) and when the standards of living of more than seventy per cent of the people is going from bad to worse during all the planning years so that they appear to be on the starvation line and when the World Bank in its latest report has listed India among one of the three countries which appear to have no future, it is strange that Tarlok Singh should still think that more or less marginal adjustments will improve the situation. The manner of planning and the type of regulatory framework adopted since 1951 and especially since 1956, has brought the country to the brink of material and moral collapse, for which the author must bear his share of responsibility. Some extremely radical measures within or outside planning will be needed to rescue the Indian economy. Old timers like Tarlok Singh seem to be suffering from mental blocks and appear to have got completely emersed in mobid creations of their own making!

TRADE WINDS

Panel on Essential Supplies

A NEW cabinet committee on essential supplies is being created for highest level decisions on problems of trade and distribution. It is felt that unless the system of distribution is rationalised the present economic crisis may persist because there is no guarantee that what is produced will reach the ultimate consumer. Mr T.A. Pai has been assigned the important task of streamlining trade and distribution. It is because of this revised thinking that industries such as sugar, vanaspati, textiles and pharmaceuticals have not been shifted from their original ministries. Mr Pai will be guided by the new cabinet committee which may comprise all ministers dealing with production industries, the minister for Agriculture and the minister for Industry and Civil Supplies.

Social Control for Greater Production

Mr T.A. Pai, the union minister for Industry and Civil Supplies stated recently that the government was determined to overcome industrial stagnation. Some kind of "social control" would be applied to both private and public sectors to achieve greater production, especially of essential commodities. In his first major speech after taking charge of the enlarged ministry of Industry and Civil Supplies, Mr Pai said he would do all he could to remove bottlenecks in the way of increased production. On his new charge of Civil Supplies, Mr Pai said his ministry's task would be to see that eight or nine basic commodities were not only produced in large quantities, but also distributed in all parts of the country at reasonable prices throughout the year. Mr Pai, inaugurating a discussion on the state of the Indian economy at the National Council of Applied Economic Research (NCAER) said, "The immediate problem is to get over the constraints and use fully the vast productive rappaatus we have set up in this country."

Import of US Staple Cotton

India is expected to import part of her requirements of medium staple cotton from the United States. Mr D.P. Chattopadhyaya, union minister for Commerce, stated recently after a meeting he had with the US Secretary of Commerce, Mr Frederick Dent, at Washington. India's cotton requirements will be about 400,000 bales and part of this is being met by imports from the Soviet Union on rupee payments. The balance will be possibly met from the US imports. Mr Chattopadhyaya indicated that he found the US Commerce Secretary's attitude "positive and responsible." The quantum of imports and the terms will be decided upon in due course. This will be one of the subjects to be discussed during the visit of the US Secretary of State, Dr Henry Kissinger, to New Delhi towards the end of this month.

India-Libya Agreement

An oil agreement under which India would buy a quantity of Libyan crude during 1975 and provide Libya with oil technicians was signed in Tripoli recently. The agreement, according to Libya's official Arab Revolution News agency, also called for an exchange of contracts between Libyan and Indian officials on the possibility of granting Indians oil exploration rights in Libya on the basis of sharing production. The agreement provides for the training by India of a number of Libyans on technical matters. The agreement was the outcome of talks conducted in Tripoli by an Indian team recently.

Directive to Foreign Shipping

Shipping companies not incorporated in India, and not having a branch office or place of business in this country have been permitted by the Reserve Bank to carry on in India, through local agents, their normal commercial activities such as transportation of goods and passengers and collection of freight charges and passenger fares. General permission to this effect has been given by the Reserve Bank under Section 29 of the Foreign Exchange Regulation Act, 1973.

Loans to Tea Gardens

The Tea Board of India has sanctioned loans totalling Rs 5 crores to the North Bengal tea gardens under different heads, according to the chairman of the board, Mr T.S. Broca. He stated that these loans were for the purchase of machinery subsidy to old and uneconomic gardens and for development work. Besides, a loan of one crore of rupees had also been given to small tea growers of Nilgiri, Himachal Pradesh and Kerala.

Indo-Bulgarian Agreement

The first session of the Indo-Bulgarian Joint Commission for Economic, Scientific and Technical Cooperation concluded its deliberations recently. The protocol, incorporating the results, was signed by the two Co-Chairmen, Mr C. Subramanian minister of Finance, and Mr Toncho Chakarov, minister for Machine Building and Metallurgy. The two ministers also signed an agreement on cooperation in the field of science and technology, based on which working programmes for cooperation in specific fields would be worked out.

The joint commission succeeded in arriving at concrete programmes of cooperation in the fields of agriculture and food processing industry, electronics, machine building and heavy industry, and pharmaceutical industry. Of these fields, particularly noteworthy progress was achieved in the fields of agriculture and electronics. The working programme in the field

NOTICE

INDOFIL CHEMICALS LIMITED

Registered Office: Nirlon House, Dr. A. Besant Road, Bombay 400 025

A GENERAL NOTICE is hereby given to the members of the Public that Indofil Chemicals Limited intends to submit an application under Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969 to the Department of Company Affairs, Government of India, New Delhi for manufacture of Acrylates at the rate of 5000 tonnes per annum in the existing undertaking at Village Kolshet Thana (Maharashtra).

Any person interested in the matter, may if he so desires, intimate to the Central Government in the Department of Company Affairs within 14 days from the date of publication of the Notice his views with regard to the proposal contained in the Notice and also the nature of his interest therein.

INDOFIL CHEMICAL LIMITED
A.L. WALSH
MANAGING DIRECTOR

Bombay
Date : October. 1974.

of agriculture relating to cooperation in developing rural agro-industrial complexes in Karnataka and Bihar is particularly noteworthy. Other fields included poultry development, development of horticulture, grape juice production, food processing machinery, animal husbandry and production of dairy products.

An intensive programme of collaboration, trade exchanges and exchange of information was also chalked out in the field of electronics. Schemes of collaboration were developed on a number of electronics items, such as software for mini-computers, computer peripherals, desk calculators, core memories for computers, etc. Other fields in which areas of cooperation were identified were machine building and heavy industry and pharmaceuticals and chemicals. A number of machine tools were identified for two-way supply. Prospects emerged for the supply of certain categories of railway rolling stocks, castings and other equipment from India to Bulgaria. The other items where collaboration is envisaged are food processing machinery, material handling equipment and textile machinery. In the field of pharmaceuticals and chemicals collabaration was envisaged in certain specified drugs, pesticides and insecticides. The Bulgarian side offered to extend the terminal date for the utilization of credits under the 1967 agreement.

Indo-German Energy-Research

A three-member Indian government delegation of energy experts, headed by Mr K.S.R. Chari, Secretary in the ministry for Steel and Mines and including Dr M.G. Krishna, Director of the Central Fuel Research Institute in Dhanbad and Mr H.N. Sharan, Head of the Research and Development Department of Bharat Heavy Electricals visited the Federal Republic of Germany from October 1 to October 11, for detailed discussions about joint research projects within the framework of the Indo-German governmental agreement on scientific and technological cooperation. Focal points of the talks in Bonn, in which Dr Y. Nayudamma, Director-General of the CSIR, also participated, were possibilities for bilateral projects in the sphere of energy research — an area accorded high priority by both governments. Apart from their talks with officials and experts from the federal ministry for Research and Technology and the ministry for Economic Cooperation, the Indian guests visited leading governmental and private research establishments in the Federal Republic of Germany.

Sugar Excise Rebate

The union government has announced a comprehensive scheme to give a rebate in the excise duty on sugar in the coming sugar season to optimise production to meet domestic demand and also to create surplus for export. Under the scheme, a rebate of central excise duty to the extent of Rs 60 a quintal on free sale sugar and Rs 16 a quintal on levy sugar is being given for sugar produced in October-November this year. The rebate will be on the production in excess of the average production for the corresponding period of the previous five years.

The government also announced a scheme for sharing excess realisations by the industry from the free sale sugar with the growers on a 50:50 basis from the beginning of this month in terms of the recommendations of the Sugar Industry Enquiry Commission. This is expected to be a big incentive for the growers to increase sugarcane production. The growers' share will be available to them in the form of higher payment for cane price in addition to the statutory minimum of Rs 8.50 a quintal for a basic recovery of 8.5 per cent or less with a premium of 10 paise for every increase of 0.1 per cent in recovery above 8.5 per cent.

Food Aid from ECM

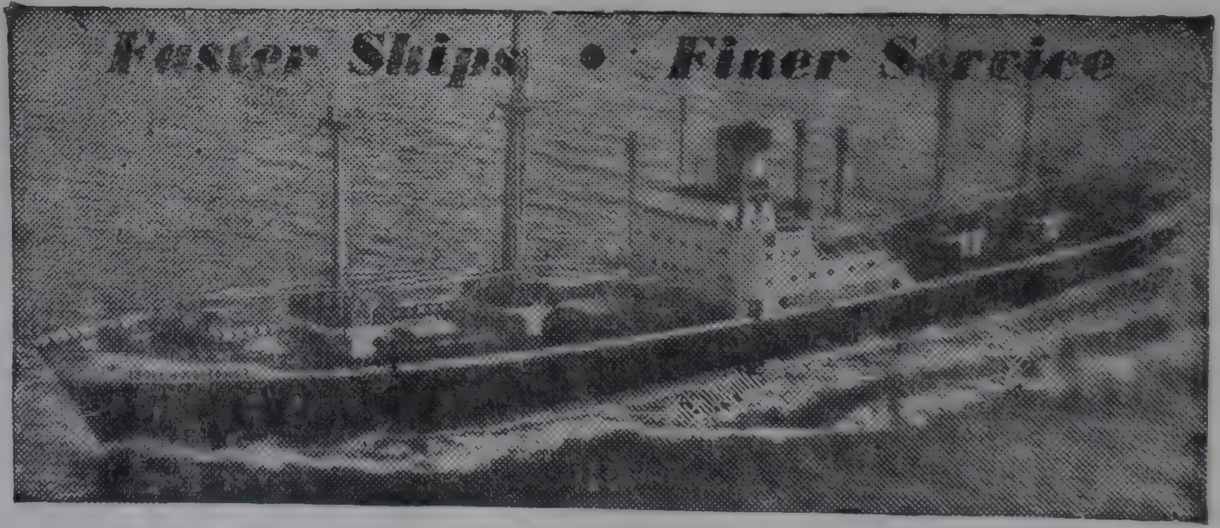
The executive commission of the European Common Market proposed recently to give India more than $100 million in food aid. A commission spokesman stated that this aid would consist of 300,000 tonnes of cereals. In addition, he said, Europe would sell another 700,000 tonnes of cereals to India at world prices. The free cereals would come half from Common Market stocks and half from stocks of the nine member nations, he added.

Paris Food Products Fair

The sixth International Food Product exhibition will be held in Paris at the Porte de Versailles from November 12 to November 18, 1974, and already promises to be a success. Growing rapidly, despite the international economic and political situation, Salon International de L'Alimentation (SIAL) will have many more exhibitors this year and an exhibition area a quarter as large as was in SIAL 1970. Several thousand visitors are expected from France and from all over the world. India will be among the seven Asian nations participating in the exhibition.

World Bank Study on Agricultural Credit

Small farmers in the developing world should be able to



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obtain agricultural credit without having to pledge their land as loan security, a World Bank study on agricultural credit has concluded. Collateral in the form of land is quite in order, however, for long-term credit and large farmers, the study notes, adding, however, that this traditional form of collateral tends to exclude tenants, and militates against small farmers who often lack certified titles to their land. Lenders, too, are discouraged from making credit available to small farmers when land forms the traditional collateral requirements. The report suggests, instead, that loan repayments be coordinated with the marketing of crops. Another alternative, the study continues, would be to write contracts under which credit agencies are paid a percentage of the farmer's output rather than a fixed amount. In any case, the Bank study adds that flexibility in rescheduling repayments should not "encourage tardiness or provide less pressure on farmers to make repayments when they are able." The report, entitled *Agricultural Credit*, is the second in a series of papers published by the Bank on the subject of rural development. A first paper, *Land Reform*, was also published recently.

Regional Conference of Industrial Engineering

The Indian Institution of Industrial Engineering has decided to hold first regional conference in the country to enable all those concerned with improving productivity to put their heads together and evolve a common understanding of the problem of productivity. The conference would be held in the eastern region from November 24 to 26, 1974 at Durgapur and would be organised by the Durgapur Chapter of Indian Institution of Industrial Engineering. The theme chosen for the conference is "Productivity — from Precept to Practice." Mr A.L Dias, governor of West Bengal has been invited to inaugurate the conference which will also be attended by several eminent persons in the field of productivity sciences.

Footwear Export by STC

The State Trading Corporation has secured orders and firm commitments worth Rs 7 crores for the export of footwear, leather uppers and other products. Mr P. Seth, Director of STC, who led a delegation to several countries recently stated that if India could supply according to time schedule, there was a possibility of getting another order worth Rs 4 crores. The market was very receptive for various types of footwear and India could compete with other countries, if it could improve the finishing of the products. Offers of technical collaboration for improving the quality had been received from West Germany, Switzerland, France and Finland.

Capacity Utilisation in Public Sector

A project to study capacity utilisation in public sector manufacturing units has been undertaken by the Bureau of Public Enterprises, ministry of Finance. It is expected to be completed by March 1975. The first phase of the project, which is already under way, consists of a pilot study to test the methodology to be adopted. This study will try to define the problems likely to be faced and will also examine practical solutions waich have been found in different situations. Seven units from diverse fields and of varying capacity utilisation levels have been chosen for the pilot study. The units are: Indian Telephone Industries, Bangalore; Garden Reach Workshops, Calcutta; Urea Plant of Neyvelli Lignite Corporation; Synthetic Drugs Plant of IDPL, Hyderabad; Cochin Refineries; Heavy Machine Building Plant of HEL, Ranchi and High Pressure Boiler Plant of BHEL, Tiruchi. Their capacity utilisation varies from 21 per cent in the case of Urea Plant of Neyvelli Lignite Corporation to 153 per cent of the High Pressure Boiler Plant of BHEL. Following the pilot study it is intended to cover all the menufacturing units of the public sector in three phases covering approximately 20 to 30 units in each phase. In all, there are 104 units belonging to 64 public sector enterprises in the manufacturing field. Of these 15 are still under construction or in initial stages of production and have yet to reach a stabilised state of production. Of the 89 well established production units, 30 units, are operating beyond 75 per cent capacity utilisation; 21 units operate between 50 per cent and 75 per cent capacity utilisation; and 13 units have yet to reach 50 per cent capacity utilisation level. Of the remainig 21 units reliable estimates are not available for various reasons, including lack of clear definition of their capacity.

Support Price for Cotton

The Agricultural Prices Commission has recommended a higher support price for the basic variety of raw cotton—Punjab American 320F for 1974-75 cotton season. The commission has suggested a support price of Rs 195 per quintal, Rs 25 more than that recommended for last year. Prices for other varieties of cotton would be determined on the basis of usual price differentials.

Export of Electric Cables

The Indian Cable Company has recently secured another large order in south-east Asian market. Soon after the break-through in Hong Kong with two consecutive orders valued at one crore rupees, the Sarawak Electricity Supply Corporation, Sarawak, Malayasia has placed an order for 26.0 KM 11,000 Volts aluminium conductor paper insulated power cables valued Rs 20 lakhs. Delivery of the order will be completed during 1974-75.

Procurement of Rice in Andhra

An all time record has been set in procurement of rice in Andhra Pradesh by the Food Corporation of India in the kharif season which ended in April last. The total procurement by FCI rose to about 518,000 tonnes of rice during the kharif season, which began in November last. The procurement operations of the kharif season involved an outlay of over Rs 50 crores. A spokesman of FCI stated that the Agricultural Prices

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

NOTICE

Notice is hereby given that registration of transfers of Ordinary Stock in Calcutta will remain suspended and Register of Ordinary Stockholders of the Company in Calcutta will remain closed from 28th October, 1974 to 2nd November, 1974, both days inclusive.

By Order of the Board,

S.K. NIYOGI,
Secretary.

Victoria House
Calcutta 700001
3rd October, 1974.

BHAKRA MANAGEMENT BOARD

Public auction for sale of earthmoving machinery, workshop machinery, electrical equipment, scrap steel of different categories, Zinc Ash, Zinc Dross, Scrap, Copper, rejected tyres of sorts, Iron-Boring, Rubber dust, empty drums of sort. Brand new spare parts of different sizes and other miscellaneous items will be held in Disposal yard/Plant Yard/Central Stores at 10 a.m. on 31-10-74.

Detailed lists and condition of auction can be had free from office of Superintendent, Procurement, C/Stores and Disposal Division, Nangal Township.

davp 855 (26)/74

Commission had set a procurement target of 600,000 tonnes for the entire crop year 1973-74 for Andra Pradesh. The target has been achieved almost in the first crop itself. The rabi procurement operations, which began in May last has so far yielded about 100,000 tonnes of rice. The procurement efforts of FCI were, however, supplemented by cooperatives detailed by the State government for the purpose.

Sale of Plantation Estates

Applications to Reserve Bank for permission to purchase or sell any immovable property in India by foreign companies and foreign citizens, or Indian companies in which non-resident interest is more than 40 per cent, are required to be accompanied by a valuation report in respect of the property in question from an approved valuer appointed by the government of India under the Wealth Tax Act. The valuation report, to be sent in quadruplicate, should be comprehensive, indicating the value of each of the major assets and also the manner in which the valuation has been arrived at. Applications for the sale of tea, coffee and rubber estates in India owned by sterling companies and remittance of sale proceeds thereof outside India, together with the valuation report from an approved valuer as stated above, should henceforth be submitted directly to the Controller, Exchange Control Department, Reserve Bank of India, Central Office, Bombay-400001, and *NOT* to the regional offices within whose jurisdiction the estates are situated.

Paper Mill in Indonesia

An Indian-Indonesian joint paper plant will be established in Indonesia, it was reported recently. The Indian Consul in Jakarta, Mr Vinod Kumar Grover told the Antara news agency that officials from the two countries were now negotiating to determine the site, capacity and capital investment for the plant. Another Indian embassy official meanwhile stated that nine joint venture companies involving total investment of $15 million would soon be realised.

Names in the News

The Board of the International Airports Authority of India (IAAI) has been reconstituted with the appointment of two members, **Mr B.S. Das and Mr S. Khurana**. Mr Das, who has been appointed as a whole-time member, and Mr Khurana, Director in the ministry of Tourism and Civil Aviation, will replace Mr S. Ramanathan and Mr N. Khosla, respectively. The other nine members of the IAAI board remain unchanged.

Nobel Prize for Economics for 1974 has been awarded jointly to **Professor Gunnar Myrdal of Sweden and Professor Friedrich Von Hayek** of Austria. The Royal Swedish Academy gave the award for the two economists' pioneering work in the theory of money and economic fluctuations and for their "penetrating analysis of the independence of economic, social and institutional phenomena."

Readers' Roundtable

Foreign exchange smuggling

Sir, Now that firm steps are being taken against smugglers, it is time to initiate measures to stop foreign exchange smuggling.

The Indian rupee should be independently floated instead of being linked to the floating pound sterling. The argument that the Reserve Bank of India does not have the expertise to handle an independently floating rupee is invalid. If the Reserve Bank has competent officers who are in great demand in newly independent countries for setting up and running their central banks, it is not known why RBI should not develop expertise in this field.

With proper supplementary measures like import duties to prevent inflow of luxury goods, a floating rupee will result in (a) a stimulus to exports, (b) prevent overcapitalisation of our industries because of "cheap" foreign exchange, (c) eliminate licensing corruption and scandals, and (d) bring large remittances from Indians abroad through the banking system.

At present, the manual tallying of foreign exchange forms filed by exporters (copies from the customs and commercia banks to be checked with th Reserve Bank copy are received after some months) take several years at the rate of les than 10 forms tallied per day per employee. Arrears are said to have accumulated for over three years. Unscrupulous elements have taken advantage of this snail's pace procedure because by the time frauds are detected, the "ghost export firms" disappear! Computerisation will enable the Bank to pinpoint the frauds and take proper action in good time. Reserve Bank employees should cooperate with the Bank in computerisation of this activity in national interests forgetting their sectional interests.

The Finance ministry would do well to appreciate that under the law the Reserve Bank is the sole authoriy for foreign exchange control, and should be given necessary respect and scope to operate. For instance, while drawing the recent Foreign Exchange Regulations Bill, the Finance ministry did not show the Reserve Bank even the courtesy of consulting it.

M.R. PAI

Bombay

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy organizes its material in convenient form and illustrates it with diagrams, grapes and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Speech delivered by Shri S. Vaidyanatha Aiyar, Chairman of the 16th Annual General Meeting held on the 30th September 1974.

Gentlemen:

I have great pleasure in welcoming you all to this 16th Annual General Meeting of the Company. The Report of the Directors and the audited Statement of Accounts have been made available to you in advance, and with your permission, I propose to take them as read.

The spiral of inflation has shown its impact all over the world and our country has not been an exception. It is a dreadful reality which everybody in the country has to face. The steep upward trend of the cost of living during the past six months clearly shows the seriousness of all the measures taken for controlling the inflation. What is being felt by the individuals in the day to day life is also experienced by the Management while administering the industry. Let us hope that the Government will hit upon some more definite production oriented measures for relieving the present situation of unabated inflation.

The supply position of Caprolactam as indicated by me in the last year continued to be alarming this year also. The Caprolactam price in the World market during the year under review has increased from $470 per m. tonne to over $2,200 per m. tonne. During the last few months, although the price of Caprolactam has come down slightly, but due to acute shortage of availability of foreign exchange, the STC has not been in a position to import Caprolactam to the fullest requirements. Gujarat State Fertilizers Co. Ltd., have started their commercial production recently. We welcome them and wish them every success in maximum operation of the Plant. We hope Caprolactam price of GSFC which is to-day pegged at Rs. 41/- per kg. will be suitably rationalised to a reasonable level.

Taking into account the foreign exchange available with the STC and the expected availability from the GSFC, it is estimated that we will still not be able to operate our Plant to the full capacity during the rest of the financial year also.

As a result of the shortage of Caprolactam, your Nylon Tyre Cord Plant had to be closed since February 1974 and could resume operation only during this month, i.e. after a lapse of over six months.

The production of Nylon textile yarn declined by about 38 per cent as compared to the production of last year. There was a decrease in the production of tyre cord by about 33 per cent during the year under review, as compared to last year. Due to shortage of Caprolactam as envisaged, we are afraid we may not be able to maintain our production even at the level of last year, which was much below our licensed capacity.

I am happy to report to you that during the year under review we achieved the production of Polyester filament yarn to the full expanded capacity permitted by Government. During the current year, however, there has been difficulty in obtaining raw material even for Polyester yarn, and the production will be comparatively lower during the current year.

Your Company along with other Nylon Textile Yarn manufacturers have signed a fresh Agreement with the various Actual Users' Associations of Nylon yarn. The special feature of this Agreement is that your Company can sell 25 per cent of the production at a somewhat better price than the balance portion, which is at an agreed price. The terms and conditions of this Agreement were well received by the Government. As a result of abnormal increase in the price of Caprolactam, the price of Nylon yarn has to be stepped up in accordance with the Agreement with the consuming industry. These factors compensated the turnover which would have been substantially low otherwise, due to the stiff fall in production.

The Polycondensation plant and machinery have been installed during the current year and is likely to be commissioned shortly. As a result of this project, your Company will be manufacturing Polyester chips which hitherto had to be imported for manufacturing Polyester yarn. The main raw material, i.e. DMT and Ethylene Glycol are expected to be made available indigenously, but not in adequate quantities as required by the Industry. As a result of commissioning the Plant your Company will be saving foreign exchange worth about Rs 70 lacs per annum.

The Company's application for importing capital goods necessary for expanding the textile yarn capacity to 4,200 tonnes, is still pending decision with the Government since no policy for permitting expansion of the existing Plant has so far been decided by them.

Your Company proposes to set up a Conveyor Belting Plant and has received a Letter of Intent for manufacturing the same. The Company is taking active steps to implement the said project at the earliest.

The Company's plans for Research and Development activities were examined by the Central Government authorities and these activities have now been recognised as such by the Central Government.

Shri S. Vaidyanatha Aiyar

Your Company continued its efforts of earning the foreign exchange by way of export. The total export made by your Company during the year under review was higher by 109 per cent as compared to last year, even though your Company has no obligation to export. Your Company has now been recognised by Government as a Registered Export House.

The Bonus Share proposal approved by the Shareholders at the last Extra-ordinary General Meeting is being pursued vigorously with the Government.

The Company's relations with the Labour continued to be cordial. Your Company's policy to finance various activities towards cultural, social and intensive medical assistance are being continued.

Before I conclude, I would like to thank my colleagues on the Board for their co-operation, and all the Officers Staff and Workers of the Company for the hard and sincere work they have put in for the successful operation of our Plant.

With these observations, I now move that the Report of the Board of Directors and the Annual Accounts for the year 1973-74, be adopted.

Note: **This does not purport to be the proceedings of the Annual General Meeting.**

COMPANY AFFAIRS

Modest Recovery

THE BOMBAY Stock Exchange opened last week on a subdued note. Equities which were marked down considerably almost during the first three days on sustained selling, started staging a mild rally from mid-week onwards on expectations that the new Finance minister Mr C. Subramaniam would initiate steps for reviving the sagging economy. Hopes were also entertained that Mr Subramaniam, who was responsible for decontrol of some of the vital commodities when he was the Industry minister, would adopt a pragmatic policy to give a boost to the economy. The sentiment was also aided by the statement of Mr T.A. Pai, new minister for Industry and Civil Supplies, that he would make every effort 'to remove the bottlenecks in the way of increased production'. Market circles also greeted the new import policy for the second half of the current year to the extent that it did not make any major departure from the policy which had been in force for the preceding half-year. Operators were also enthused by the Railway ministry's decision to give a massive order of 14,000 four-wheelers to the wagon manufacturers.

Although Dalal Street reacted favourably to the cabinet reshuffle with a mark up in prices in a number of scrips, several shares sustained losses over the week, notable among them being Standard, Indian Dyestuff, National Rayon, Baroda Rayon, Ceat Tyres and Zuari. The undertone at the week-end was, however, hopeful. After remaining subdued for major part of last week, Lyons Range staged a welcome recovery towards the close. But the volume of business was restricted as operators and investors kept their commitments light by adopting a wait-and-see policy. On renewed short-covering at lower levels, combined with some improvement in investment enquiries, equities in both cleared and cash lists moved up to record moderate to handsome gains on balance. With no change in the general investment climate, trading in Madras Stock Exchange during the week was far from lively. Only small business was done in selected shares

Bihar Alloy

Bihar Alloy Steels Ltd is expected to commence production by the end of next month. The plant, put up at Patratu near Ranchi, will produce 40,000 to 50,000 tonnes of alloy, tool and special steels worth 30 to 33 crores of rupees, resulting in a saving of an equal amount of foreign exchange. The plant has been set up in technical collaboration with Crusot-Loire of France at a cost of Rs 35 crores. Equipped with a number of advanced facilities such as ultra high-power arc furnaces, the plant is considered to be one of the most modern alloy steel units in the world.

Scindia Steam

Scindia Steam Navigation Company Ltd has turned out excellent working results during the year ended June 30, 1974. Its total turnover, including other receipts, outstripped the previous year's record by as much as Rs 12.30 crores and touched the peak figure of Rs 68.34 crores during 1973-74. The gross profit, including the profit on sale of assets, too recorded an appreciable rise to Rs 15.26 crores as against Rs 12.32 crores in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 6.41 crores to depreciation reserve as against Rs 5.58 crores in the preceding year, while taxation absorbed Rs 65 lakhs as compared to Rs 55 lakhs a year ago. The net profit thus worked out to Rs 8.20 crores—Rs 2.01 crores more than in 1972-73. The statutory development rebate reserve requires to be provided in respect of ships acquired during the year came to Rs 3.50 crores as against Rs 5.00 crores in 1972-73. In addition to this, Rs 2.10 crores (previous year Rs 32 lakhs) is provided as a reserve for the previous year. With the balance brought forward amount of Rs 13 lakhs and Rs 1.11 crores in respect of development rebate reserve set free in this year, the total amount available for disposal comes to Rs 3.84 crores. The directors have recommended a dividend of Rs 2.40 per share, subject to deduction of tax, this being the maximum amount permissible for distribution under the dividend ordinance. The dividend, if sanctioned, will absorb Rs 1.63 crores. Out of the balance, Rs 1.11 crores is appropriated to general reserve, Rs 90 lakhs to dividend equalisation reserve and Rs 20 lakhs is carried forward.

The substantial improvement in working results—perhaps the best in the company's 55-year history — are attributed mainly to higher freight realisations during the year and partly to the employment of a larger tonnage following the inclusion of the 53,000 DWT bulk carrier in the company's fleet for the nine months of the year. Meanwhile the company continues to add to its fleet. It expects a bulk carrier of 75,000 DWT and two mini bulk car iers of 21,450 DWT each to b delivered in 1976. The compan at present has a fleet of 4 vessels totalling 748,288 DWT

Glaxo

Glaxo Laboratories (India Ltd has reported impressiv working results during the yea ended June 30, 1974. Sale have gone up from Rs 30.9 crores to Rs 35.38 crores whil the gross profit has advance to Rs 3.84 crores from Rs 3.3 crores in 1972-73. The rati of gross profit to sales is, however, maintained around 10.9 per cent. The company has already paid an interim equity dividend of seven per cent for 1973-74. In view of the dividend restrictions the management is unable to declare any final equity dividend for the year. Thus the total dividend for 1973-74 amounts to only seven per cent as against 18 per cent paid for 1972-73. Out of the gross profit the directors have appropriated a sum of Rs 59.59 lakhs to depreciation reserve, Rs 8.50 lakhs to development rebate reserve and Rs 186.00 lakhs to taxation reserve as against Rs 50.74 lakhs, Rs 9.50 lakhs and Rs 158.64 lakhs provided respectively in 1972-73. A sum of Rs 115.00 lakhs has been transferred to the general reserve as compared to Rs 80.50 lakhs in the previous year.

Indian Aluminium

In the first six months of 1974, Indal's sales-revenue, including excise duty, totalled Rs 275.3 million, which is slightly lower than Rs 280.5 million achieved in the comparable period of 1973. Pre-tax profit of the company for the same period at Rs 27.3 million was only marginally lower than in the corresponding period of 1973 in spite of lower shipments and spiralling raw material costs. Net profit was Rs 15.2 million as compared with Rs 13.3 million in the first half of last year. Power shortages restricted the company's metal production in the half-year to 36,087 tonnes, i.e. about 70 per cent of effective capacity. The aluminium only 62,050 tonnes of metal in the first half of 1974 as compared with 154,270 tonnes for the year 1973 and 179,100 tonnes in 1972. This was mainly due to power restrictions. The first half of Indal's new 20,000 tonnes smelter at Belgaum in Karnataka was completed at the end of 1973. The Karnataka Electricity Board has not yet sanctioned additional power for this smelter and the directors are making every effort to secure the requisite amount of power. In view of the provision of the restrictions on dividends the directors have not declared an interim dividend for 1974.

Ramon & Demm

Ramon & Demm Ltd has received the sanction from the Controller of Capital Issues for the issue of bonus shares in the ratio of four bonus equity shares for every five equity shares held. In spite of several adverse factors such as power cuts and shortage of raw materials the company's production during the year ended March 31, 1974 has increased from 754 tonnes to 772 tonnes. This has resulted in increased sales and the turnover was higher at Rs 3.09 crores as compared with Rs 2.79 crores in the previous year. Although the turnover was better than last year, there was a marginal decline in profits. This was due to increased wages and sharp rise in the cost of raw materials. However, the company's performance in the current year is quite encouraging. Its production in the first five months of the current year has increased to Rs 1.84 crores from Rs 1.22 crores in the similar period of 1973-74. Its sales during the same period of current year has more than doubled to Rs 1.88 crores from Rs 90 lakhs in the same period of last year. The company's total sales during the current year is expected to be around Rs 4.5 crores while production is expected to be about 1100 tonnes.

The company is vigorously pursuing the implementation of its expansion project. The company's application

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the import of machi[illegible]y has been cleared by the government. The foreign exchange for the import of plant and the machinery for the project will be made available to the company as soon as the agreement between the governments of India and West Germany over the West German project aid (KEW loan) is signed. Construction of buildings is proceeding apace and is expected to be over by the end of this year.

Mysore Electro-Chemical Works

Mysore Electro-Chemical Works has entered into two technical collaboration agreements with M/s Accumulatoren fabrik Sonnenschein Gmb-H, West Germany, one for the expansion of the existing production facilities and the other for diversification of its products. These agreements will come into force as soon as the approvals of the governments of respective countries are granted. Under the expansion agreement envisaged the existing capacity would be doubled. The government of India has already issued a letter of intent for expansion from 49,500 numbers to 120,000 numbers for automotive batteries, from 10,000 numbers to 17,500 numbers for traction batteries, from 20,000 numbers to 30,000 numbers for stationary batteries and also for 10,000 numbers of train lighting cells. The collaboration agreement for diversification envisages manufacture of special lead acid storage batteries which are used in photo flash units, electronic equipment, transistorised radios, TV sets etc by the company. The production of such batteries will be the first of its kind in the country and the company is justifiably proud of being the first in this field.

The expansion and diversification programmes will be taken up for implementation shortly. The PVC separators are the major raw materials which are imported directly by the company and in order to save the much needed foreign exchange for the country, the company will shortly be setting up a plant for manufacture of these separators. The necessary permission has been obtained from the government of India and foreign currency loan for import of machinery is now being arranged. This plant will be installed soon and production is likely to commence during the current year itself. The company has full-fledged quality control, research and development department which ensures that every batteries which comes out of the production line is a masterpiece of quality and craftsmanship. The technical collaborators from West Germany—pioneers in the battery industry in the world — is providing the company with the latest know-how.

The quality and standard of MEC battery products are of a very high standard and they are finding a ready market. They are accepted as original equipment in Ashok Leyland trucks and buses, Ambassador cars, International tractors, Escort tractors and Mahindra and Mahindra jeeps and trucks. The company has entered the export market and has finalised an order for export of traction batteries to the USSR worth Rs 2.7 million and is also exploring the possibilities of exporting batteries to other countries. The company is confident of achieving an export target of Rs 3.5 million during the current year. The sale orders on hand including the export order exceed Rs 20 million.

Crompton Greaves

Crompton Greaves have reported improved working results for the year ended June 30, 1974 despite unfavourable factors such as steel shortages, cost inflation and power shortages. Sales have risen from Rs 35.48 crores to Rs 39.08 crores and profit before tax from Rs 3.06 crores to Rs 4.30 crores. During the year under review the company issued bonus shares in the proportion of one share for every two shares held by capitalisation of Rs 2.40 crores out of general reserve. The share capital of the company now stands at Rs 7.20 crores. In view of the restrictions on dividends the directors have recommended a dividend on increased capital at eight per cent against 15 per cent last year, which will absorb Rs 57.60 lakhs against Rs 72 lakhs in the previous year. A part of the proposed dividend is expected to be exempt from tax. The provision for depreciation is Rs 58 lakhs. From the pre-tax profit the directors have provided Rs 8.5 lakhs for development rebate reserve and Rs 12.5 lakhs for doubtful debts reserve. The balance of profit of Rs 4.09 crores has been transferred to general reserve. After adjustments of Rs 240 lakhs for capitalisation out of general reserve, the previous year's dividend of Rs 72 lakhs, taxation of Rs 127 lakhs and other smaller adjustments, the reserves at June 30, 1974 stand at Rs 7.54 crores. Tax on the year's profit estimated at Rs 2.42 crores will be paid out of reserves when due.

Supreme Industries

Supreme Industries, which has declared an equity dividend of 12 per cent for the year ended March 1974, has reported satisfactory progress in the current year so far. Sales in the first half of the current year have been higher at Rs 90.80 lakhs compared to Rs 57.29 lakhs in the same period of last year. The higher turnover does not mean proportionate increase in the volume of the products handled by the company but is attributed to the steep increase in the prices of plastic raw materials. Exports during the period have amounted to Rs 12.46 lakhs. Exports could have been higher but for the fixation of inadequate drawback rates and ineffective scheme with regard to replenishment of raw material consumed for export production. The company's application for capital goods licence to manufacture PVC pipes has been rejected due to constraint on raw material. It has received an import licence for a large moulding machine, which is expected to start production by February 1975. It has secured a defence order worth Rs 51 lakhs recently.

Unit Trust

The total investible funds of the Unit Trust increased to Rs 172.63 crores as on June 30, 1974 from Rs 141.96 crores as on June 30, 1973. These funds were invested in ordinary shares to the extent of Rs 77.90 crores (45.1 per cent), preference shares Rs 16.38 crores (9.5 per cent), debentures Rs 53.22 crores (30.8 per cent) and in other investments Rs 25.13 crores (14.6 per cent). The Trust's investments in industrial securities showed a significant overall appreciation of 19.1 per cent in relation to their book value as on June 30, 1974 compared to 6.7 per cent as at the end of the previous year.

There might be misgivings about the impact of government's recent anti-inflationary measures on the Trust's operations, particularly relating to the dividend restrictions on companies. Though this dividend limitation measure would no doubt reduce to some extent the Trust's income from its investments in ordinary shares, it would in no way affect the income from fixed-income yielding securities, viz., preference shares and debentures which are equally important in the Trust's investment portfolio. In fact, the income from these securities may even go up somewhat. The Trust would also take necessary action in adjusting its investment portfolio to the requirements of a changed situation. Despite the difficulties which it would, no doubt, face in the current year 1974-75, the Trust enters the second decade of its operations with renewed confidence.

News and Notes

National Rayon Corporation which has made considerable progress in the implementation of its nylon tyre cord project, is further diversifying its activities. It has applied to the government for a licence to produce annually 33,000 tonnes of rayon grade pulp and

15,750 tonnes of rayon staple fibre. The project is estimated to cost Rs 40 lakhs. The project will be set up in Chandrapur district which is a declared backward area in Maharashtra. The company hopes to receive substantial financial assistance from SICOM for this project. The total financial requirements for this project are being worked out. The project when commissioned would save foreign exchange to the tune over Rs 15 crores a year. Meanwhile the company's nylon tyre cord plant is expected to be on stream by the middle of 1975. The project cost is estimated at Rs 12 crores and is being financed largely from internal sources.

The foundation stone of the Rs 450.00-lakh spinning unit of **Mahavir Spinning Mills Limited** at Hoshiarpur, with an installed capacity of 25,000 spindles, will be laid by the Chief Minister of Punjab, Mr Giani Zail Singh on October 19, 1974. This company has been promoted by Vardhman Spinning and General Mills Limited, a sister concern of Oswal Group of Industries, a leading industrial house in this part of the country. This unit is the first large scale unit to come up in the district of Hoshiarpur, an industrially backward region of the state. This project is likely to be commissioned by early 1976 and will spin annually about 43 lakh kgs of grey carded cotton yarn valued at Rs 600 lakhs in medium to coarse count range. This yarn is the basic input for handlooms which number about 3,000 in the district of Hoshiarpur. Thus this unit will give a big impetus to the growth of handloom industry, in the region. In the second phase, an expansion by another 25,000 spindles and 500 looms is envisaged which will make it a fullfledged composite unit.

Mr T.D. Sinha has been appointed Joint Managing Director of **Indian Aluminium Company Ltd**, a leading aluminium-producing company and one of the largest industrial enterprises in the country. A management expert, Mr Sinha is a Patna University law graduate and a past president of the alumini association of the Indian Institute of Management, Calcutta. He joined INDAL 25 years ago in 1949 and, after holding several important positions, became secretary to the company in 1960. Seven years later he joined the board of directors.

New Issues

Bank of Madura Ltd is offering 5,90,000 equity shares of Rs 10 each at par to the public for subscription. The subscription list opens on October 30 and the entire public is underwritten. The Unit Trust has underwritten shares worth Rs 9 lakhs while the LIC has underwritten equity capital to the tune of Rs 5 lakhs. The balance has been fully underwritten by leading share brokers. The bank is raising the capital to finance its expanding business. It is planning to open scores of new branches in several towns and cities and proposes to house its offices in its own premises. The bank's business has recorded a spectacular growth during the past few years. Its deposits have almost trebled within a very short period, jumping to Rs 27.43 crores at the end of last year from Rs 9.8 crores at the end of 1970. The bank's net profits too have shown an encouraging rise, increasing from Rs 2.17 lakhs in 1972 to Rs 2 69 lakhs in 1973. All in all the bank is poised for a major breakthrough in all spheres of its activities in the coming years.

Upper India Bearings and Bushings will be approaching the capital market some time in December with a public issue of Rs 24 lakhs, all in equity shares of Rs 10 lakh at par. The proceeds of the issue will be utilised for financing partly the company's expansion programme aimed at raising the capacity from 1.20 lakh pieces of bimetal bearings and bushings being used in the automobile industry to 15 lakh pieces per annum. At present the company is having a plant at Madras. A new unit is being established at Ranipet in North Arcot district in Tamil Nadu which has been declared as a backward area. The new plant is expected to commence commercial production by June 1975. The capital outlay on the project is estimated at Rs 91.27 lakhs. The company does not anticipate any difficulty in marketing its products since there is a good demand for bimetal bearings. The DGTD has estimated the demand for these bearings at 39 million pieces by 1978-79, while the capacity covered by the existing manufacturers including their expansion and the additional capacity approved for new units, is very much less than the projected demand.

Gogte Steels is offering to the public for subscription 612,500 equity shares of Rs 10 each and 35,000 (11 per cent) cumula-

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tive redeemable preference shares of Rs 100 each, both at par. The subscription list for this fully underwritten issue opens on October 31. The proceeds of the issue will be utilised for financing partly the company's Rs 3.90-crore project being set up at Tarapur in Maharashtra for manufacturing 44,000 tonnes of steel billets per annum. This joint sector project will have two electric arc furnaces of 15 tonnes capacity each. The first furnace is expected to go into production by the end of this year and the second furnace in about two months thereafter. Besides a continuous casting machine will also be set up. The capital outlay on the project is estimated at Rs 3.90 crores. It will be financed by the share capital of Rs 1.60 crores and term loans of Rs 2.30 crores. The company has also received a letter of intent for setting up a wire rod mill for manufacturing high carbon wire rods for an installed capacity of 40,000 tonnes. It plans to set up this project as a second phase to derive the advantages of an integrated steel complex.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital amounting to over Rs 3.24 crores. Following are the details:

Sita World Travel (India) Private Ltd have been accorded consent, valid for 3 months, to capitalise Rs 4,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 8 bonus shares for every 9 equity shares held.

The Rayalaseema Mills Ltd have been accorded consent, valid for 3 months, to capitalise Rs 9,92,800 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

S.P. Virmani and Son Private Ltd have been accorded consent valid for 3 months to capitalise Rs. 21,07,000 out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Atul Products Ltd Ahmedabad, have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 82,00,000.

West Bengal Industrial Development Corporation Ltd, Calcutta, having a paid-up capital of Rs 207.40 lakhs have been accorded consent for the issue of 800 bonds of Rs 25,000 each, carrying interest at 6-1/4 per cent per annum and redeemable after 10 years, or cash at an issue price of Rs 98.85. The corporation will have the right to retain additional subscription to the extent of 10 per cent of the notified amount of Rs 200 lakhs. The proceeds will be utilised for augmenting the resources of the corporation. The consent order is valid for 12 months only.

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Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Somany Pilkington	June 30, 1974	12.0*	Nil
Same Dividend			
Shree Sajjan Mills	March 31, 1974	10.0	10.0
Textool Company	April 30, 1974	Nil	Nil
Khatau Makanji Spg. & Wvg.	June 30, 1974	10.0	10.0
New Central Jute	March 31, 1974	Nil	Nil
Reduced Dividend			
Binani Metal Works	June 30, 1974	Nil**	5.0
Kalpetta Estates	April 30, 1974	8.5	12.5
Brooke Bond	June 30, 1974	11.0	20.0
Morarjee Goculdas	June 30, 1974	11.5	16.0
Calcutta Electric Supply Corporation	March 31, 1974	Nil	10.0

*Maiden dividend.

**For 15 months ended June 30, 1974.

RECORDS AND STATISTICS

EEC generalised preferences : an outline

As early as 1958 a GATT report suggested that developed countries should give up protecting their industries against imports of manufactured goods from developing countries.

In May 1953, in a GATT ministerial meeting, the EEC ministers, and those of the countries associated with the Community, suggested that a suitable way of promoting the trade and development of the countries in an early stage of growth would be to give preferential treatment to their exports of manufactured goods and semi-manufactures.

The fact that GATT was reticent about this helped towards the formation of UNCTAD (United Nations Conference on Trade and Development), which was at that time in the process of gestation.

Further Headway

In 1964, at the first UNCTAD session, the idea put forward by the EEC and its Associates made further headway.

In 1968, at the second UNCTAD conference in New Delhi, agreement was reached on setting up a system of generalised preferences; and in October 1970, an agreement was reached in UNCTAD for bringing this system into being.

Since July 1, 1971 the EEC has been operating a system of customs franchise known as "generalised preferences", in favour of manufactured and semifinished goods coming from developing countries. Basic agricultural produce, basic industrial products and industrial raw materials are not included in this preference system.

Not Reciprocal

The preferences are not: *reciprocal* — the countries which enjoy them are not required to make equivalent reductions in their customs duties;

Discriminatory — the preferences are given to all developing countries.

The preferences are: *generalised* — the preferences are granted in principle by all developed countries.

The preferences are not negotiated. They are the subject of an autonomous offer resulting from discussion with the countries which are to enjoy them.

How the System Works

The Community system is based on preferential imports free of customs duty up to specified ceilings. The latter are calculated by reference to a fixed basic amount corresponding to the c.i.f. value of imports from the beneficiary countries in a specified reference year, plus five per cent of the c.i.f. value of imports from other countries (additional amount). The ceiling is thus raised each year, the additional amount being the indicator of the acceleration of trade between the Community and its industrial partners.

—For sensitive products there is a system of tariff quotas.

—The buffer", or maximum amounts, are fixed by the beneficiary countries. Their effect is to limit to a given proportion of the ceilings and quotas the maximum amount which may be used by any individual country.

In the dynamic of the operation the buffer mechanism cannot fail to secure additional opportunities for the less advanced and less competitive countries, and it will be up to them to take advantage of these.

—The exporting countries are required to supply certificates of origin, so that traffic diversions can be avoided.

Community Offers : 1971-73

In 1971, the system could only operate for six months.

The number of *processed agricultural products* covered by the Community scheme was 147. It remained the same through 1971-73. The system provides a selective safeguard clause which has never been used.

The impact in terms of products covered during the first 6 months of 1971 was U.A. 45 million* of imports into the Six from beneficiary countries which are not associated with the Community.

The ceilings and quotas opened amounted to:

UA 340 million in 1971
UA 780 million in 1972
UA 900 million in 1973

In 1971 the year 1968 was the reference year chosen for all calculations.

— The ceilings opened for 1972 showed an overall increase of 15 per cent. This resulted from the choice of 1969 as the reference year for calculation of the additional amount (five per cent of the imports from countries not included in arriving at the basic amount). The year 1968 remained the reference year for determining the basic amount.

For 1973, the year of reference for the additional amount was 1970, but the basic amount was still calculated from 1968 figures. The increase has been estimated at about 15 per cent.

Number of Products

—The number of products subject to tariff quota was:

53 in the first half of 1971
58 in 1972
60 in 1973

—In 1971, the buffers limiting the preferential imports from individual developing countries for specific products, were in general not higher than 50 per cent of the ceiling fixed for the product in question.

In 1972 and 1973, a number of the buffers were lowered from 50 per cent to 30 per cent, or from 30 per cent to 20 per cent. This was for the purpose of dealing with special situations (especially in Yugoslavia, Hong Kong, South Korea and Brazil) and was aimed to safeguard the advantages accruing to the less competitive beneficiaries.

Textiles Goods

The tariff quotas and ceilings opened amounted to:

19,429 tonnes for the second half of 1971,
39,444 tonnes in 1972 and
42,631 tonnes in 1973.

In 1972, the beneficiary countries fell far short of using all the opportunities offered by the Community scheme. The number of independent beneficiary countries rose from 91 in 1971-72 to 102 1973.

In December 1973, the council agreed to the principle of introducing a reserve proportion into the Community quotas, making it possible for available quotas not used by specific countries to be transferred into the reserve and made available for use by other countries.

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* UA=Unit of Account=c. BF 50=US $ 1 *before* the Smithsonian devaluation of 1972.

Three Essential Features

The first feature of the 1974 scheme is that *it is applied by the enlarged Community.* By protocol 23 annexed to the Act of Adhesion, the three member countries had been "authorised to postpone until January 1, 1974 the application of the Community system of generalised tariff preferences".

Secondly, *in virtue of the Summit directives given in Paris (October 1972)* in which the heads of state or government expressed their desire to promote a policy of development cooperation on the world scale, the Community improved its offer of generalised preferences.

Thirdly, the arrangements made by the Commission for 1974 link the application of the system of preferences with *the giving of effect to the common declaration of intent adopted after the negotiations with Great Britain and annexed to the Act of Adhesion.*

It is the intention of the Community to strengthen its trade relations with Commonwealth countries in Asia, taking into account the interests of other countries in the same region. The alignment upon the external tariff of the Community, as from January 1, 1974 of the customs tariffs of the new member countries, and more especially that of Great Britain, impries a raising of the rates of duty charged under the imperial preference scheme.

In regard to *processed agricultural products* the 1974 scheme adopted by the Council of Ministers on December 18, 1973 increases the previous preference margins and includes a number of additional products making 187 in all.

The most important of these are fish flour, certain varieties of shrimp, coconut oil for industrial use, dehydrated coconut, cocoa butter, soluble coffee, certain forms of preserved pineapple and, as a temporary and exceptional measure, tobacco leaf of the Virginia flue-cured type. The trade impact of the products covered is estimated at UA 450 million.

In regard to cocoa butter, soluble coffee and preserved pineapple, the Community has for the first time introduced a tariff quota into the agricultural sector of its generalised preferences scheme. Hitherto there had been no ceilings for the advantages given in respect of agricultural produce which were, however, subject to a safeguard clause.

Moreover the tariff quota opened for tobacco of the Virginia flue-cured type is the first practical application of the common declaration of intent; and it is the first time the Community has brought a basic product within the scope of its generalised preferences scheme.

For all industrial products other than textiles, the year 1971 was chosen as reference year for calculating both the basic amount and the additional amount.

— This has materially increased the ceilings, the total amount of which is higher to some UA 2,000 million. This is equivalent to a 40 per cent rise over the figures which would have resulted in 1973 by the Nine applying the system as applied in the same year by the Six.

Sensitive Products

—The number of sensitive products subject to quota is reduced to 51.

—In regard to the buffers, there are practically no restrictions compared with 1972 and 1973.

—*Manufactures of jute and coco* are given the benefit of a 40per cent tariff cut.

—The 1974 scheme envisaged a suitable procedure to secure fuller utilisation by beneficiary countries of the preferential advantages made available to them.

— For *textile goods* covered by chapters 50 to 63 of the Common Customs tariff, the quotas and ceilings have been calculated to provide a 50 per cent increase compared with those in force in 1973 for the Community of Six. The import potential is thus 68,205 tonnes, or about US 500 million.

Despite the threat of recession, the Community wishes to maintain its system of generalised preferences and push it still further.

It has gone out of its way to acknowledge its special responsibility to developing countries, who stand to be the biggest losers from the world crisis.

Policy of Association

The Community wishes to secure a balanced development between the system of generalised preferences and the *policy of association.* The latter comprises the Association agreements, including the current negotiations with the African, Caribbean and Pacific countries and those connected with a unified approach to the mediterranean countries.

The *Common Declaration of Intent* amounts to a permanent commitment in regard to Commonwealth countries in Asia. Some of these countries, especially India, are very seriously affected by the current crisis. A first stage in the implementation of this Declaration was accomplished as from January 1, 1974, largely by the operation of the SGP.*

The Commission intends to continue the improvement thus begun.

In the Community's general plans for the forthcoming *multilateral negotiations in GATT,* it pays particular attention to the case of developing countries which may be concerned about the "erosion" of the preferences they have enjoyed, by the granting of further tariff reductions.

It is the intention of the Community to continue improving its own system preferences, the independe character of which has be emphasised in the foregoing

The 1975 plan includes number of *improvements* a *readjustments,* as well as *simp renewals and additional me sures.*

For *processed agricultur products* covereed by chapte 1 to 24 of the Common Customs tariff, the 20 per ce margins of preference are i creased to 40 per cent for number of products.

The 40 per cent margins preference are raised to 50 p cent and SGP duties lower tha five per cent and are eliminate The volume of trade covered stated to have been increase to UA 650 million.

Industrial Manufactures

For industrial manufacture and semi-manufactures, the improvements proposed b the Commission are primaril concerned with:

—raising the ceilings throug the change in calculation procedure.

The basic amount remain unchanged, using the 197 figures as the year of reference The additional amount wi be calculated from the 197 figures.

The total increase in ceilings and quotas opened i 1975 is around 15 per cent. Th volume of trade covered will b UA 2,300 million.

—the number of sensitiv products subject to tariff quota is reduced to seven.

The Commission intends t apply the lessons learnt fron the SGP experience sinc 1971. Beneficiary countrie have complained of the com plexity of the quotas, and th rigid system of managing them In the past none of the tari quotas opened has been full utilised.

—introduction of the r serve proportion into the tari quotas. This is a method c helping beneficiary countries t make the best use of the advantages provided for them. Because of technical difficulties this system was not introduced in 1974.

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* System of generalised preferences.

The administration of the tariff quotas under the generalised preferences scheme is based on a definite allocation of specific shares to the member countries. This has raised the question of importers' equality of access to the Community market.

The Commission takes the view that in current circumstances a reserve proportion of 10 per cent of the amount of the quota is a minimum.

—*Manufactures of jute and coco* are given a tariff reduction of 60 per cent.

— Except for one product, the buffers may be raised to 50 per cent in respect of 44 products transferred from the present system of tariff quotas to the system of supervised ceilings.

The buffers for other products are to be kept at the 1974 percentage levels.

Readjustments

When it is established that any beneficiary has reached the buffers in 1972 and in 1973, or supplied at least 40 per cent of the imports into the Community from all beneficiary countries, a buffer of 15 per cent will be applied to the beneficiary in question.

It will still be able to have the benefit of the amount of the 1974 buffer until the amount of the 15 per cent stop exceeds it through the normal effect of progressive raising of the ceilings in subsequent preference-years.

The multifibre agreement was signed in Geneva on March 25, 1974, but the bilateral negotiations under it are not yet completed. The Commission is not at present in a position to submit to Council suitable proposals for textiles under the SGP. If these negotiations should not have been completed within the next few months, a transitional solution for 1975 will have to be considered. The present SGP system for the textiles sector as a whole would then be continued into 1975, with a uniform flat-rate increase of five per cent in the ceilings and tariff quotas.

Additional Measures

In regard to the rules of origin, a special effort has been made to help countries which are members of economic groups. The broadening of the rules tends to help regional integration; and the Commission has accordingly proposed to Council the use of a cumulative system of the EFTA type for exports to the community from (for example) Anase* or from the Andine Group.†

—A programme of seminars will be organised as part of an active continuation of the policy of providing information for government authorities and those commercially concerned.

—A system for collection of statistical data will shortly be in operation. The aim is to assess the effect of the preferences on economic activity in the Community and to measure the impact on the trade between the Community and the beneficiary countries.

—It has been decided to improve the statistical information regarding the preferential imports, so that the advantages made available can be better administered and better adjusted. Another measure contemplated is the formation of a documentation agency for analysis and advisory work on the generalised preferences.

East European Countries

Rumania: On June 4, 1973 the Council of the European Communities decided in principle that Rumania be included among the countries having the benefit of Community generalised preferences as from January 1, 1974. There was a rider to the effect that adequate arrangements would have to be made to to take into account the special case of this country. The measure coincided with a first stage in improving the system of generalised preferences.

The decision was based on criteria taking account of the development level and economic structure of Rumania in the light of similar criteria applied to the economies of other countries which have the benefit of SGP.

Textiles, footwear products covered by the ECSC Treaty and goods subject to tariff quotas are excluded from the SGP concession.

The plan regarding Rumania in 1975 envisages the possibility that these exceptions may be reconsidered in the light of the economic facts.

Any inconveniences which might be occasioned to the initial beneficiary countries through the inclusion of Rumania in the SGP scheme are mitigated by the fact that the preferential ceilings laid down for the whole of the beneficiary group will be increased by the volume of Rumanian trade with the EEC and by the inclusion in the system of maximum amounts per beneficiary country.

Bulgarian Requests

Bulgaria: In September 1973, on the occasion of the visit to Bulgaria of the French minister, Mr Messmer, the Bulgarian authorities emphasised that they had put in a request through the UNCTAD machinery to the effect that Bulgaria should be included among the countries benefiting from Community preferences.

The French representative informed Council of this wish in October 1973.

In the opinion of the Commission, consideration of the Bulgarian request requires an initial request by Bulgaria to the Community.

Conclusions

The generalised preferences are a turning point in international trade relations. At present there are 104 countries which have the benefit of them.

The industrial countries, including the Community and its members, have for the first time taken concerted action with the less advanced countries in the form of practical measures to assist development.

The Community policy relating to generalised preferences is based on a *progressive* attitude and a *pragmatic* approach.

—The advantages received by the beneficiary countries are being consistently improved and extended.

—At the same time a balance has to be kept between the need for promoting exports of manufactured goods and processed agricultural products from developing countries, and the protection of sensitive industries and products in the Community.

Import Capacity

The capacity of the Community of Nine for imports from developing countries is about UA 25,000 million annually.

Up to 1974 the burden of the action for developing countries was borne principally by the Community.

Recently the Canadian government made the necessary arrangements for bringing into effect a system of generalised preferences as from July 1, 1974.

The plan proposed by the United States is contained in the 1973 Trade Reform Bill, which is currently passing through the different stages of the legislative process.

Most of the countries who granting these preferences improved their system in 1974. At the last meeting of the UNCTAD special committee on preferences, they stated their intention of continuing their action to the same effect.

The generalised preferences are a main component of the development cooperation policy.

The policy of generalised preferences is in line with one of the ultimate objectives of the European Economic Community. This is the desire to seek a more balanced distribution of the world's wealth.

—Commisson Of The European Communities — Information Directorate Generale.

(*) Indonesia, Malaysia Philippines, Thailand and Srngapore.

(†) Bolivia, Chile, Colombia, Ecquador, Peru and Vanezuela.

The Reconstituted Council of Ministers

IN A MAJOR reshuffle effected by the Prime Minister in the union council of ministers on October 10, Dr S.D. Sharma has been inducted as a minister of cabinet rank incharge of Communications. Five more have been added to the list of ministers of state and another five appointed as deputy ministers. Two ministers of cabinet rank and four other ministers have resigned.

The highlights of the change are the allocation of Agriculture and Irrigation portfolio to Mr Jagjivan Ram, External Affairs to Mr Chavan and Defence to Mr Swaran Singh. The following is the new allocation of portfolios in the union council of ministers.

Cabinet Ministers

1. Mrs Indira Gandhi: Prime Minister, Minister of Atomic Energy, Minister of Electronics and Minister of Space.
2. Mr Y.B. Chavan: Minister of External Affairs.
3. Mr Jagjivan Ram: Minister of Agriculture and Irrigation.
4. Mr Swaran Singh: Minister of Defence.
5. Mr D.P. Dhar: Minister of Planning.
6. Mr Uma Shankar Dikshit: Minister without Portfolio.
7. Mr H.R. Gokhale: Minister of Law, Justice and Company Affairs.
8. Mr K.D. Malaviya: Minister of Petroleum and Chemicals.
9. Mr L.N. Mishra: Minister of Railways.
10. Mr T.A. Pai: Minister of Industry and Civil Supplies. (Will hold temporary charge of the Department of Science and Technology).
11. Mr K. Raghuramaiah: Minister of Works and Housing and Parliamentary Affairs.
12. Mr Raj Bahadur: Minister of Tourism and Civil Aviation.
13. Mr K. Brahmananda Reddi: Minister of Home Affairs.
14. Mr S.D. Sharma: Minister of Communications.
15. Dr Karan Singh: Minister of Health and Family Planning.
16. Mr C. Subramaniam: Minister of Finance.
17. Mr Kamlapati Tripathi: Minister of Shipping and Transport.

Ministers of State incharge of Ministries or Departments

1. Mr D.P. Chattopadhyaya: Minister of Commerce.
2. Mr I.K. Gujral: Minister of Information and Broadcasting.
3. Prof S. Nurul Hasan: Minister of Education, Social Welfare and Culture.
4. Mr R.K. Khadilkar: Minister of Supply and Rehabilitation.
5. Mr K.C. Pant: Minister of Energy (will also assist the Prime Minister in the Departments of Atomic Energy, Electronics and Space).
6. Mr K.V. Raghunatha Reddy: Minister of Labour.
7. Mr Chandrajit Yadav: Minister of Steel & Mines.

Ministers of State in various Ministries

1. Mr Niti Raj Singh Chaudhary: Ministry of Law, Justice and Company Affairs.
2. Mr Mohan Dharia: Ministry of Works & Housing.
3. Mr K.R. Ganesh: Ministry of Petroleum and Chemicals.
4. Mr A.C. George: Ministry of Industry and Civil Supplies.
5. Mr Shah Nawaz Khan: Ministry of Agriculture and Irrigation.
6. Dr (Mrs) Sarojini Mahishi: Ministry of Law, Justice and Company Affairs.
7. Mr B.P. Maurya: Ministry of Industry and Civil Supplies.
8. Mr Om Mehta: Ministry of Home Affairs, (Department of Personnel and Department of Parliamentary Affairs.)
9. Mr R.N. Mirdha: Ministry of Defence (Defence Production).
10. Mr P.K. Mukherjee: Ministry of Finance.
11. Mr Mohd Shafi Qureshi: Ministry of Railways.
12. Mr A.P. Sharma: Ministry of Industry and Civil Supplies.
13. Mr A.P. Shinde: Ministry of Agriculture and Irrigation.
14. Mr V.C. Shukla: Ministry of Planning.
15. Mr Surendra Pal Singh: Ministry of Tourism and Civil Aviation.

Deputy Ministers in various Ministries

1. Mr Z.R. Ansari: Ministry of Industry and Civil Supplies.
2. Mr Bedabrata Barua: Ministry of Law, Justice and Company Affairs.
3. Mr Bipinpal Das: Ministry of External Affairs.
4. Mr A.K.M. Ishaque: Ministry of Health & Family Planning.
5. Mr C.P. Majhi: Ministry of Petroleum & Chemicals.
6. Mr F.H. Mohsin: Ministry of Home Affairs.
7. Mr Arvind Netam: Ministry of Education, Social Welfare and Culture
8. Mr Jagannath Pahadia: Ministry of Communications.
9. Mr J.B. Patnaik: Ministry of Defence.
10. Mr Siddheshwar Prasad: Ministry of Energy.
11. Mr Sukhdev Prasad: Ministry of Steel & Mines.
12. Mrs Sushila Rohatgi: Ministry of Finance.
13. Mr B. Shankaranand: Department of Parliamentary Affairs
14. Mr Buta Singh: Ministry of Railways.
15. Mr Dalbir Singh: Ministry of Works & Housing.
16. Mr Kedar Nath Singh: Ministry of Agriculture and Irrigation.
17. Mr Vishwanath Pratap Singh: Ministry of Commerce.
18. Mr Dharam Bir Sinha: Ministry of Information & Broadcasting.
19. Mr G. Venkataswamy: Ministry of Supply & Rehabilitation
20. Mr Balgovind Verma: Ministry of Labour.
21. Mr D.P. Yadav: Ministry of Education, Social Welfar and Culture.

A rare opportunity

In our quest for commodities to earn additional foreign exchange so as to mitigate the pressure caused by the sharp hike in our import bill for petroleum and petroleum products, sugar has come in handy nd holds out great promise. Because of world-wide shortage of sugar, its price in the nternational markets has ruled at a remunerative level. The government of India, working in close association with the industry, succeeded in exporting substantial quantities, earning nearly Rs 100 crores till the end of September 1974. Latest estimates ndicate that total sugar exports from the last season's output would be about 500,000 onnes and would yield foreign exchange earnings of the order of Rs 300 crores. Incidentally, a profit of about Rs 175 crores would accrue to the government of India because of these sugar exports.

The current assessment of the world sugar market points to continued shortages for the next six months, possibly extending to the next three years. This is indeed a golden opportunity for our country to earn additional foreign exchange by taking all possible steps to maximize output. The export of half a million tonnes of sugar from the last season's production was possible because the output had been only marginally less than four million tonnes. Surely production in the current sugar season can be raised to not less than 4.5 million tonnes, out of which a million tonnes could be exported and a sum of Rs 600 crores earned through exports. At the proposed levels of production and exports, the demand of the domestic market will be almost fully met.

Then, what stands in our way for the achievement of this goal? The industry is of the view that production of sugar during the current season might be slightly less than that of last year instead of being more because of two reasons. First, the acreage under sugarcane in the factory area has somewhat fallen. Second, the condition of the sugarcane crop has deteriorated due to a long spell of drought in certain areas and floods in others. On top of that, the non-availability of adequate quantities of fertilizers in time has also affected unfavourably the growth of the crop.

There is no doubt that these inhibiting factors would limit the efforts of the sugar industry to produce more sugar than in the last season but the fact which needs to be underlined is that the organized sector is not the only agency making use of the sugarcane crop. It has to face fierce competition from the producers of *gur* and *khandsari*. If somehow the supply of sugarcane to the organized sector as well as the co-operative sector was maintained at a higher level than in the preceding season, the target of producing 4.5 million tonnes of sugar would not be difficult to attain. All that needs to be done is that the other competitors, namely the producers of *gur* and *khandsari*, should not be placed in a position where they are able to outbid the industry. Already the *khandsari* producers have raised their capacity so as to produce around one million tonnes in a year. It is believed that *khandsari*, which is now comparable in quality to factory sugar, should also be brought within the orbit of the public distribution system. It is the view of Mr P. Maruthai Pillai, president of the Indian Sugar Mills Association, that the government can procure at least 300,000 tonnes of *khandsari* for distribution under the levy system. The export of this much quantity, at the present world prices of sugar, would result in additional foreign exchange earnings of the order of about Rs 200 crores. Surely there is a case for bringing *khandsari* under the levy system, which is at present applicable only to crystal sugar.

The *khandsari* producers are placed in a very happy position because they pay only nominal excise on sugar produced by them. While the excise duty on free sugar is as high as Rs 120 per quintal, it is no more than Rs 15 per quintal on *khandsari*. Because of this comparatively small incidence of excise duty on *khandsari*, its producers are able to offer a higher price to sugarcane growers, thus forcing some of the sugar factories to stop crushing sugarcane well ahead of the close of the season. This should not be allowed to happen in the current year if this country is really keen

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to take full advantage of the world market situation in sugar. The opportunity is too good to be thrown away absent-mindedly.

The government has fixed the statutory cane price for the current season at Rs 8.50 per quintal. This is only a support price because, in a competitive market, the industry has sometimes been forced to pay 50 to 60 per cent more than the statutory cane price. In a way this is only a notional price, but the size of the sugarcane crop depends to a large extent upon the price fixed for sugarcane by the government well ahead of the sugarcane season. The industry is rightly of the view that because of the sharp increases in the prices of agricultural inputs such as fertilizers, diesel, cost of irrigation, etc., sugarcane growers should enjoy a higher statutory price.

The industry is not satisfied in regard to the policy of excise rebates for the 1974-75 season and feels that it hardly provides the much-needed incentive to industry for increasing its output. The analysis made by it has shown that the majority of the sugar factories would not be able to derive much advantage from the scheme. It has suggested that the base output in the excise rebate scheme should be on the average production of the preceding three years instead of five years. If this were done, the scheme would provide a substantial incentive to a number of factories resulting in enhanced production.

The demand of the industry for the lifting of the credit squeeze needs careful consideration. On prompt payment to the sugarcane growers depends the capacity of the industry to be able to attract sugarcane. In the absence of the availability of adequate credit the industry may be hampered in its efforts to expand production.

The concessions sought by the sugar industry are such as would not throw any of the calculations of the government out of gear. This is the time when the government as well as the industry should operate by placing confidence in each other. All difficulties of the industry should be sorted out in a sympathetic manner. We have no doubt that Mr Jagjivan Ram, the minister for Agriculture and Irrigation, with his vast experience in this agro-based industry, will not let this rare opportunity slip through bureaucratic bungling.

Retreat from dear money?

On the eve of the 1974-75 busy season, bankers are scanning the horizon for hopeful signs as they are worried about their ability to meet the increase in demand for funds from industry and trade and from borrowers in the priority sectors. The banking system has been feeling somewhat over-extended in the past few months and in the absence of the anticipated growth in deposits and contraction in advances, the resources position at the end of the slack season is none too comfortable. There has of course been latterly a bulge in deposits of the scheduled commercial banks and the net decline in procurement credit as a result of a heavy depletion of buffer stocks has enabled member banks to reduce borrowing against refinance facilities and the outstanding amount under the bill market scheme. Even so, there was a net increase under these heads on October 4, 1974, by Rs 166 crores as compared to the corresponding week in 1973 implying that banks had need for additional resources and had very nearly borrowed from the Reserve Bank what they had deposited with the former additionally by way of cash balances in order to comply with a higher reserve ratio of five per cent. The position would have been still worse had it not been for the decision of the monetary authorities to reduce the reserve ratio to five per cent from seven per cent effective from June 29, 1974.

What has been mainly responsible for the upset in calculations of banks is the slow growth in deposits. Even with the better showing in recent weeks the growth in deposits of scheduled commercial banks between December 28, 1973, and October 4, 1974, has been only Rs 1,170 crores against Rs 1,193 crores in the same period in 1973 and Rs 900 crores in the corresponding period in 1972. This clearly ind cates that for the first time in recent yea there is the likelihood of the additions deposits being even marginally lower tha those recorded in 1973 which is certainly retrograde trend. The slower growth deposits may be due to the diversion funds to industrial units as deposits loans under the permitted heads an for being even directly lent to trader and industrial units. But the amoun additionally diverted cannot be mo than Rs 100-150 crores. The questio therefore arises whether benami d posits have been withdrawn or the add tions to the credits under individual ac counts have not been on the former scale.

While the answers to these questio may be provided by the trends in workin funds of member banks in the comin months, their immediate problem is find the required resources for expandin credit in the coming busy season withou relying heavily on the facilities provide by the central banking institution. Th situation will certainly be unmanageabl if credit is expanded by over Rs 1,00 crores against additions to deposits about Rs 650 crores in November 1974 April 1975. In the last busy season the in crease in advances was Rs 1,037 crore against a rise in deposits of Rs 682 crores It therefore became necessary to borro heavily against refinance facilities an under the bill market scheme. This pro cedure cannot be adopted to the same ex tent in the next six months as the positio now is not even as comfortable as it wa in October last year, not to speak of th excessive liquidity that was noticed in th third quarter of 1972.

The Reserve Bank governor will b having discussions with the chief execu tives of the major banks on October 2 when an announcement in respect of th credit policy for the busy season is ex pected. Already, bank establishments ar assessing the credit needs of their const tuents and cautioning them against an major upward revision of the credit limit owing to the constraints on resource Whatever increase in deposits that ma take place in October and Novembe might be absorbed by the central gover ment which has to complete the secon tranche of its borrowing programme f e current financial year before an asser-on of busy season trends.

With the issue of central loans in July nd floatations of state loans in August nd September, apart from the spate of ssues of bonds by financial corporations nd state electricity boards, there has al-eady been an increase in investments of nember banks in the curent year so far by Rs 319 crores against only Rs 157 crores in he same period in 1973. The release of ash balances of about Rs 200 crores in he last week of June has been more than ully absorbed by the net borrowing of entral and state governments and public odies and a good portion of fresh deposits also had had to be invested in government and approved securities.

The stipulations regarding a reduction in the outstanding amount under the bill market scheme and in borrowings against refinance facilities had also to be observed. Cash balances are therefore barely conforming to statutory obligations and it cannot also be said that the investment deposit ratio is very much higher than the bare minimum. It is therefore felt that the issue of new central loans should be for only Rs 150 crores and the government should endeavour to reach the target through staggered borrowing and not attempt to raise larger sums as tax revenues are quite encouraging.

The only redeeming feature in recent months is the indication of a deceleration in the rate of growth in advances. The net rise in the first eight months has been Rs 782 crores against Rs 818 crores on a comparable basis in 1973. The increase would not have been even on this scale but for the sudden accumulation of stocks of cotton textiles and yarn in recent weeks as a result of a serious dislocation in the trade which has been responsible for the impounding of working funds to the extent of Rs 70 crores.

In view of the upsets in calculations in the last busy season, there is no disposition on the part of bankers to take any definite view of credit requirements in the coming months. But it is generally accepted that the present situation is vastly different and the recent trends towards a decline in prices in some directions should be helpful in preventing any undue accumulation of inventories. Besides, the adjustment to the situation arising out of the sharp rise in oil prices has been completed. Only procurement credit may be on a larger scale if bigger quantities of rice are secured and there is a special drive for intensifying procurement of wheat in the second quarter of next year.

The procurement operations out of rabi crops have no bearing on the credit needs for the busy season. In respect of rice only a marginal increase in procurement prices has been permitted and it is unlikely that the performance of last year will be repeated. There will of course have to be larger advances against sugar as higher prices may be fixed for levy sugar following the increase in the minimum price for cane. But the net increase in advances may not be such as to have a disturbing effect as exports have to be maintained at a high level and there are also varying estimates about the quantum of production for the current crushing season.

The expansion of credit in the next six months for all purposes may thus be very much less than that of 1973-74 busy season and may not be more than Rs 800 crores. If deposits rose by Rs 650 crores and the statutory obligations have to be observed the Reserve Bank should not be opposed to an increase in borrowing against refinance facilities and under the bill market scheme by Rs 400 crores. It can be expected that there will be a normal slack season in 1975 and credit will have to be expanded only for procurement purposes if there is a bumper rabi crop.

The monetary authorities have therefore a special responsibility when formulating a new credit policy especially as it has been complained that the squeeze had had a hurting effect on productive activity and high interest rates have actually inflated manufacturing costs. There can be no more absurd levy like the tax on the gross income derived by banks on advances. Also the efficacy of dear money is being questioned in developed countries while the president of the Federation of Chambers of Commerce and Industry Mr K.K. Birla, has drawn pointed attention to the adverse effects of the credit squeeze and a need for liberalising curbs. The time has arrived for beating a retreat from dear money and adopting new policies. There will of course have to be physical controls over the application of credit. But there will have to be selective relaxation of curbs and even a cheapening of credit. Is it too much to expect that the monetary authorities will adopt a helpful attitude?

Eastern Economist 30 Years Ago

OCT. 27, 1944

An interesting question arises whether the centralized distribution of food grains, which has come in the wake of the procurement and rationing activities of the Provincial Governments, has so worked as to increase the cultivator's share of the consumer's price, and if so whether the system has any lessons of permanent value for the post-war reorganization of agricultural marketing. Taking the case of rice produced in Tanjore and sold at Coimbatore, which is about 180 miles from Tanjore, we find that the price paid to cultivator at village for 1·5 maunds of paddy (required to produce one maund of rice) is Rs 7-1-8, whereas one maund of rice is retailed at destination at Rs 9-13-8.

In other words, the cultivator gets annas 11½ in the rupee or about 72 per cent of the price paid by the consumer. In another case, to wit, of Bezwada rice sold at Calicut, the retail price of one maund of rice at Calicut is Rs 9-7-10, whereas the cultivator near Bezwada gets Rs 6-14-1. Here, the cultivator's share is a little higher, about annas 0-11-7 in the rupee or 72·4 per cent. If these cases, which are typical enough, may be taken as a reliable general guide, it will not be incorrect to conclude that marketing costs have gone down under Government control, as before the war it was estimated that the producer got, on average, only about eight and a quarter annas for every rupee paid by the consumer. It may be that part of the economies is due to the avoidance of unnecessary transport, but this is negligible as, even in normal times foodgrains were not transported over long distances, were generally consumed within the producing or adjacent areas and only rarely crossed provincial boundaries.

IDBI's leap forward

AS THE apex body for term-lending to industrial enterprises as well as for exports, the Industrial Development Bank of India (IDBI), indeed, has done a creditable job during the twelve months to June, 1974. Not only did its financial operations receive a great fillip during this period but also its overall operations got diversified a good deal.

The impressive increase in the assistance programme of the IDBI last year is evident from the fact that slightly over 20 per cent of its aggregate gross as well as effective sanctions during the 10 years of its existence were effected in this year. The gross sanctions between July 1, 1964, and June 30, 1974, had been of the order of Rs 1,105.2 crores and the effective sanctions to the tune of Rs 983.6 crores. Of these, the year 1973-74 accounted for Rs 236.3 crores and Rs 232.6 crores, respectively. The last year's gross sanctions exceeded the previous year's figure by Rs 78.4 crores. The increase in effective sanctions was as much as Rs 96.3 crores.

The utilisation of assistance too recorded an impressive improvement last year. It was of the order of Rs 162.2 crores, as against Rs 106.6 crores in the previous year. Of the total utilisation of the assistance sanctioned since the inception of the IDBI (Rs 726.8 crores), nearly 22 per cent was effected in 1973-74 alone.

Although all types of assistance were made available by the IDBI on an extended scale last year, the most noteworthy growth took place in four types: (i) effective direct loan sanctions to industrial units (from Rs 43.2 crores in 1972-73 to Rs 58.1 crores), (ii) refinancing of industrial loans (from Rs 30.7 crores to Rs 45.1 crores); (iii) rediscounting of bills of manufacturers/sellers of machinery (from Rs 49.8 crores to Rs 76.3 crores); and (iv) assistance for export, particularly through the establishment of a Rs 25-crores credit line to Bangladesh).

Whereas the state financial corporations and commercial banks were assisted on an increasing scale through the refinancing of industrial loans, the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation of India, one state financial corporation (Haryana), and two regional consultancy organisations—the North-Eastern Industrial and Technical Consultancy Organisation (NEITCO) and the Kerala Industrial and Technical Consultations Organisation (KITCO)—were assisted on an extended scale through subscriptions to their shares and bonds. This assistance increased in 1973-74 to Rs 10.2 crores from just Rs 2.8 crores in 1972-73.

To some extent, the larger assistance provided by the IDBI last year is accounted for by the increase in individual loan amounts due to inflationary tendencies. But the number of industrial loans refinanced as well as the bills rediscounted too showed a marked rise. The refinance facilities were availed of last year by commercial banks, co-operative banks and state financial institutions in as many as 2,926 cases, as against 2,204 cases in the previous year. The bills rediscounting facilities were utilised by the manufacturers of indigenous machinery and equipment in 804 cases, as against 693 cases in the previous year.

Through the refinance facilities those who were assisted were the small-scale entrepreneurs and road transporters. The ultimate major beneficiaries of the bills rediscounting scheme were the state electricity boards and road transport corporations, although the cotton textile industry too continued to avail of this assistance to a significant extent. Since its inception, the IDBI had refinanced up to June 30, 1974, 9,853 industrial loans and rediscounted 1,963 bills and promissory notes.

The main beneficiaries of the direct loans during 1973-74 were the industrial projects in the backward areas and those belonging to the core sector. As much as 46 per cent of the direct assistance to industrial units last year went to those located in the backward areas. This assistance was made available on concessional terms. In the previous year, just about 14 per cent of the direct assistance sanctioned went to the projects in the backward regions.

Another notable feature of the direct assistance sanctioned in 1973-74 was that 70 per cent of it was for new projects, as against 40 per cent in the previous year. The core sector units benefitting from IDBI's assistance belonged to such industries as petrochemicals and industrial chemicals, tyres and tubes, special steel billets/ingots and wires, agricultural tractors, sheet glass, scooters and aluminium roll-bond panels for refrigerators. The direct assistance facility was availed of by manufacturers of yarn (in the co-operative sector) and enamelled copper wire for expansion purposes. The industries assisted in the backward areas included sugar, special steel billets/ingots and wires, tyres and tubes, commercial plywood, etc. The hotel industry also benefitted from the direct assistance. Some supplementary finance was as well provided by the IDBI to 11 units already assisted by it in the insulators, nylon filament yarn, cement, hotel, paper and alloy steel industries for meeting cost overruns caused by increased import duty and cost of imported plant and equipment owing to revaluation of some foreign currencies, increase in cost of construction materials etc. Two units in the glass and electric lamp industries were provided assistance for relieving strain on their financial position.

The most important fact that emerges from the operations of the IDBI during the recent past is that whereas core sector industries have been assisted on a significant sale, accent is now there on progressive geographical dispersal of industries. The latter objective is being achieved through encouraging the establishment of industries in the backward areas in particular and the small and medium-scale units in general. During the five years to June 30, 1974, of the Rs 594.8 crores total effective assistance sanctioned by the IDBI, as much as Rs 180.4 crores (30.3 per cent) was provided for schemes in the specified backward areas. In the previous five years, the units in backward areas received assistance from the IDBI to the tune of Rs 35.6 crores—15.6 per cent of the aggregate Rs 227.9 crores assistance sanctioned. The small-scale sector, similarly, accounted for as much as

per cent of the total effective refinance
ance provided by the IDBI during the
ears to June 30, 1974—Rs 90.9 crores
f Rs 140.06 crores. In the earlier five
, this sector got refinance assistance
e extent of only Rs 3.3 crores out of
ggregate effective refinance assistance
s 82.1 crores.

nother significant fact to be noted
gard to the operations of the IDBI
at the relative share of large indus-
houses in all the schemes of assistance
gone down progressively. In so far
irect project and refinance assistance
concerned, there has also been an
olute decline. During the five years
une, 1969, these houses received direct
stance to the tune of Rs 58.61 crores
of the total Rs 108.47 crores such
stance provided by the bank. During
subsequent five years, out of the Rs
.84 crores direct assistance made
ilable, the large houses received only
57.79 crores. The industrial loans of
e houses were refinanced during the
years to June, 1974, to the extent
only Rs 5.78 crores, even though total
nancing amounted to Rs 140.06 crores.
r the earlier five years, the two figures
re Rs 26.51 crores and Rs 62.10 crores.
e large industrial houses, of course,
re provided larger export assistance
d greater bills rediscounting facilities—
43.32 crores as against Rs 14.43 cro-
, out of Rs 71.33 crores and Rs 15.30
res, and Rs 68.54 crores as against Rs
.87 crores, out of Rs 223.68 crores and
37.35 crores respectively, during the
e years to June 30, 1974, and June 30,
69. But their relative share in these
pes of assistance went down. The large
dustrial houses are now primarily assis-
d in their core sector and export-orient-
projects.

Although the IDBI continues to cater
a very large extent for the direct loan
quirements of the private sector, a very
nportant development that has taken
lace in the recent past is the sizeable
crease in direct assistance to projects
hich, though technically in the private
ctor, have significant government/SIDC
articipation and/or control in manage-
ent. Some textile mills in the co-opera-
ive sector as well as some public sector projects have also been directly assisted by the IDBI.

As regards the diversification of the activities of the IDBI, the above makes it abundantly clear that the requirements of the backward areas as well as small industries are now receiving increasing attention. With a view to fostering this trend further, special regional consultancy agencies are being formed to identify and train entrepreneurs in the industrially backward areas. Obviously, these entrepreneurs will have to start their operations on a small scale. Two such agencies—NEITCO and KITCO—have already been set up. In collaboration with the other governmental financial institutions, including nationalised banks, the IDBI is conducting surveys of all the industrially backward areas so as to identify specific projects ideal for implementation in the next five or ten years in the light of the resources endowment, demand potential and availability of infrastructure facilities. Most of these surveys have been completed; several of them have also been published. A special handbook of information on industrial development of backward regions has also been brought out by the IDBI. Some feasibility studies too have been commissioned by the bank in collaboration with the other term-lending institutions for the benefit of new entrepreneurs. It is now being well appreciated that a good deal of follow-up action will be necessary in regard to the development of entrepreneurial talent in the backward areas. The IDBI is gearing itself to this task.

Another diversification effected by the IDBI in its operations is the strengthening of its supervision over the assisted projects so that the problems faced by them can be effectively tackled. Corrective action has already been initiated by the bank in close liaison with other financial institutions in a number of such cases. The IDBI is also taking a keener interest in the rehabilitation of sick industrial units. In several such cases, the timely

Estimates of Sanctions and Utilisation of Assistance During 1974-75 (July-June)

(Amount in crores of Rs)

Type of assistance	1973-74 (Actuals)		1974-75 (Estimates)	
	Sanctions	Cash Utilisation	Sanctions	Cash Utilisation
1. Loans (other than for exports)	58.1	46.8	90.0	50.0
2. Underwriting and Direct Subscriptions	7.2	4.7	10.0	5.0
3. Refinance of Industrial Loans	45.1	27.7	52.0	29.8
4. Rediscounting of Machinery Bills	76.3	63.7*	90.0	75.0*
5. Export Finance				
Direct Loans for Exports	32.9†	6.7	15.0	18.7
Refinance of Export Credits	2.7	1.0	3.0	3.7
6. Subscriptions to Shares and Bonds of Financial Institutions	10.2	11.6	15.0	15.0
Total:	232.6	162.2	275.0	197.2

* That is, face value of bills minus rediscount retained.

† Including special credit of Rs 25 crores to Bangladesh.

support lent by the IDBI is said to have helped salvage not only its own investments but also of the other financial institutions. With a view to furthering this activity, steps have been initiated to set up an intensive care-cum-advisory cell in the bank which will have specialised staff.

The IDBI has also effected a number of relaxations and modifications in its various assistance schemes so as to make them more popular. The refinance assistance scheme, for instance, has been streamlined in several ways. The time limit for the submission of applications by state financial corporations for refinance by the IDBI has been extended from the original one-month period to three months from the date of sanction of assistance by SFCs and for the actual availment of refinance from 12 months to 18 months from the date of communication of sanction of refinance by the IDBI. The commitment charge has been made leviable on the amount of refinance remaining undrawn after a period of nine months from the date of communication of sanction instead of six months. The application form the refinance too has been simplified a great deal. The refinance scheme now includes loans to all types of industrial estates, excepting those set up by the central or the state governments. Refinance facilities can now be availed of by the SFCs in respect of their loans to fishing units as well. On the export front, a buyers' credit scheme has been introduced under which credit's are made available to foreign buyers in participation with commercial banks in India for export of capital goods from this country for financially self-supporting projects. While no maximum limit for such credits has been stipulated, the applications normally considered are for higher value contracts of at least one crore of rupees.

As a result of the streamlining of its operations and the impressive performance during the last year, IDBI can well look forward to a further marked growth in the assistance it provides. As a matter of fact, during the first three months of its current fiscal year, i.e. between July and September, both the sanctions and disbursement of assistance by the IDBI have increased by more than 100 per cent as compared to the corresponding quarter last year. The total assistance sanctioned has been of the order of Rs 72.9 crores, as against Rs 34.1 crores during July-September, 1973, and the actual utilisation of assistance by the loanee concerns Rs 54 crores, as against Rs 21.3 crores. The face value of the bills discounted during this quarter amounted to Rs 35.1 crores, as against Rs 13.3 crores during the corresponding period last year. The refinancing of industrial loans was done to the extent of Rs 17.4 crores, as against Rs 7.3 crores. The performance of the first quarter of the bank's current financial year, in fact, has been much better than could be envisaged on prorata basis of its estimates of sanctions and utilisation of assistance given in the table on page 747.

The greater reliance of industrial units on accommodation from the IDBI as well as the other term-lending institutions is not surprising in the least, for the stock markets during the last three years have not been in a satisfactory state. The recent restrictions placed on dividend disbursements by industrial units have made the matters worse. If the tempo of industrial expansion has to be maintained, the resources of the term-lending institutions apparently will have to be augmented considerably.

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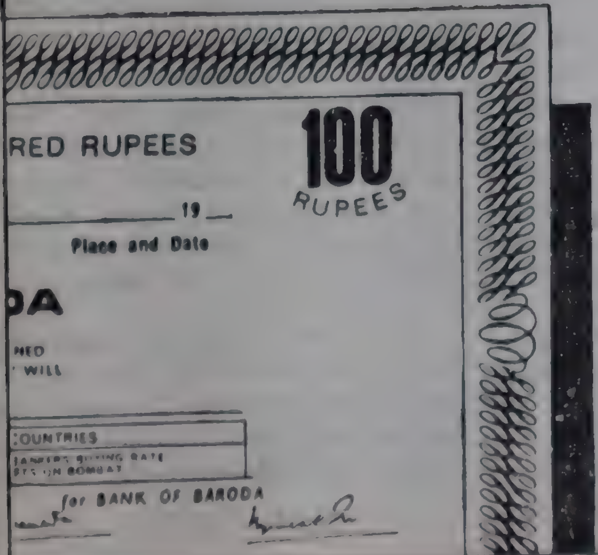

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

IMF's Oil Facility • Emergency Food Production Plan • FCI's Performance

EVEN THOUGH the government of India has drawn upon the recently created special oil facility of the International Monetary Fund (IMF) to the extent of only one-third of its entitlement, the likelihood of further drawals from this source are not ruled out. India's entitlement under this facility is around 500 million SDRs, equivalent to nearly $600 million. The first drawal has been of the order of $200 million.

The matter is understood to have already been discussed by the union Finance minister, Mr C. Subramaniam, with the Managing Director of the IMF, Mr Johannes Witteveen, who was here on a short visit last week. The main reason for availing of the oil facility to a fuller extent is the likelihood of our balance of payments position deteriorating sharply in the coming months not only on account of higher crude oil import bill but also owing to the dire need of augmenting food supplies through imports and keeping up imports of fertilisers and industrial intermediates. Apart from financing crude oil imports, the oil facility, it is learnt, can be drawn upon to some extent for covering the overall trade deficit.

decision on carry-over

Mr Witteveen told newsmen at a press conference here last week that the IMF had not yet decided whether the entitlement of a country under the oil facility could be carried over to the next year. This may be another reason for India availing of this facility to a larger extent than has been the case hitherto, even though it considers the average seven per cent interest on the oil facility loans rather high. Mr Witteveen, however, expressed the view that considering the present global inflationary tendencies and the interest which first class government paper commands in the advanced countries, the seven per cent interest on oil facility accommodation cannot be termed as harsh. He, of course, conceded that the plea of the developing countries for a lower rate of interest on these loans had a good deal of force in it. The issue, he indicated, would be considered by the IMF when the extension of the oil facility for next year comes up for deliberations.

The IMF will be finalising plans about the next year's oil facility programme after the receipt of the report of the special committee appointed at the last annual meeting of the World Bank and the Fund about a month ago, to go into the entire question of recycling of the surplus money available with the oil exporting countries, as a result of the quardupling the prices of crude oil over the past 12 months. This report is expected to be ready by the end of this year or in early January.

larger funds

In view of the massive flow of funds to the oil exporting countries and the limited capacity of the world capital markets to absorb these funds, Mr Witteveen expected that the funds available next year for the oil facility programme would be much larger than in the current year. This year the availability of funds has been 2.8 billion SDRs, equivalent to nearly $3.4 million. Mr Witteveen's expected that the oil exporting countries would even otherwise route larger funds through the IMF because of three advantages which the IMF channels provided as compared to the world capital markets. The advantages are: (i) the liquidity of SDRs; (ii) the guarantee of IMF loans by all the member nations; and (iii) the minimum fluctuations in the value of SDRs.

The drawals under the oil facility, Mr Witteveen clarified, were subject to two conditions. Firstly, the loanee countries it is stipulated, should not resort to protectionism; they have to avoid additiona import restrictions. Secondly, efforts have to be made by them for developing alternative sources of energy.

* *

The union ministry of Agriculture is understood to have drawn up an emergency programme to increase food production during the coming months which cover the late kharif season and the next rabi crop. The emergency programme has been designed to take advantage of the recent rains which have been fairly widespread.

The programme includes maximisation of the yield from the standing kharif crops, ratooning of the high-yielding jowar crop which is ready for harvesting and cultivation of short duration pulses and oilseed crops in central and western India. The details of the programme have already been circulated to the state governments. They have been asked to launch it within about a fortnight.

The major benefit is expected to accrue from the ratooning of the high-yielding jowar crop and the cultivation of short duration pulses and oilseeds crops. Through ratooning—cutting of the standing plants about two to three cms above the ground level—it is stated another crop of jowar with a much better yield than the standing crop can be secured if there are some further rains. Even if there is no further rain, the new crop can be utilised a fodder crop. The short duration pulses and oilseed crops, scientists opine, can be taken resort to in such states as Madhya Pradesh, Gujarat and Maharashtra where the kharif crop has already been harvested, by applying a sizeable dose of chemical fertilizers.

The yield from the standing rice crop in some parts of the country, it is felt, can be augmented through the application of a further small dose of fertilizers—about 10 kg. of nitrogen per hectare.

As regards the next rabi crops, the

tes have been advised to propogate iongst agriculturists the need to exdite sowings in the rain-fed areas. Conrted efforts are being made to make ailable adequate quantities of fertilis, seeds and pesticides to farmers to able them to go in for expeditious wing operations.

It has also been suggested to the floodfected states of Bengal, Bihar, Uttar adesh and Orissa that they can proably go in for the cultivation of sweet tatoes. Tamil Nadu can bring about ,000 hectares more under tapioca.

* *

Considering power constraints on the ilisation of capacity of all its five runng units and the increase in production osts not only due to the higher prices material inputs—naphtha, coal, DAP, lphur, and electricity—but also on ccount of the upward revision in the earness allowance and pay-scales of nployees, the 1973-74 operations of the ertiliser Corporation of India (FCI) nnot be termed as unsatisfactory. The orporation turned out during the year 96,000 tonnes of nitrogen, as against 94,000 tonnes in the previous year. Its apacity utilisation at 83 per cent was milarly slightly higher than in 1972-73 81 per cent).

The mounting costs, which were not lly compensated by the increase in the tatutory controlled prices of the corporaion's products, however, brought down narginally both its gross and net profits after providing for depreciation and inerest) from Rs. 19.92 crores and Rs. 5.40 rores in 1972-73 to Rs 18.98 crores and Rs 4.56 crores, respectively. Had power onstraints not been there, the output ould have gone up by about 45,800 onnes of nitrogen, valued at approximaely Rs 10 crores. The profit too would ave been higher by about Rs 4 crores. According to the management, all the plants of the corporation, except the Sindri plant, could be worked to 95 per ent of their installed capacities. In the ase of Sindri, the capacity has been lerated because of obsolescence. The lerated capacity of Sindri too could be worked to over 90 per cent if adequate power was available.

Plant-wise, both the Trombay and the Nangal units yielded sizeable surpluses—Rs 7.95 crores and Rs 4.36 crores, respectively. The planning and development division of the corporation too yielded a profit of Rs 22 lakhs. The Sindri, Namrup and Gorakhpur projects, however, showed losses of Rs 7.19 crores, Rs 0.34 crores and 0.07 crores, respectively. Had the operations of Namrup and Gorakhpur projects not been hampered by power, particularly tripping of power, the only unit which would have shown a loss would have been the 22-years old Sindri unit.

In the interest of overcoming power difficulties, though partially, it is encouraging to note that despite the Fuel Policy Committee's recommendation that the establishment of captive power plants in industrial units should not be encouraged, the union government has allowed the FCI to install in-plant power generation facilities in all its units at least to the extent required for protecting the critical equipments. Steps have already been taken to install immediately a 12.5 MW turbo-alternator at Gorakhpur. The set is to be imported under the $17 million credit recently obtained from the World Bank. Similar schemes for the other units are expected to be finalised in the near future.

expansion programme

The corporation is also going ahead vigorously with the implementation of its expansion programmes which, when completed by the end of the current Plan-period, would raise its nitrogen manufacturing capacity from about 360,000 at present to nearly three million tonnes. Besides the Durgapur project, which though mechanically completed in 1971 is yet being treated as a construction project for it has still to yield production on commercial scale owing to several pieces of equipment, particularly in the ammonia unit, causing trouble, the corporation has on hand 12 projects, namely, Namrup expansion, Gorakhpur expansion, Nangal expansion, Trombay expansion phase IV, Trombay expansion phase V, Sindri rationalisation, Sindri modernisation and the setting up of new projects at Barauni, Ramagundam, Talchar, Haldia and Korba. Production at Durgapur, according to current anticipations, is expected to be stabilised fully only by the middle of 1976. Based on naphtha as feedstock, this project is designed to produce annually 305,000 tonnes of urea and 15,000 tonnes of amonia for sale. The Barauni project and the Namrup expansion scheme, which will be yielding 330,000 tonnes of urea each, are nearing completion and are expected to go into production by the end of December.

The Barauni project is based on naphtha and the Namrup expansion scheme on natural gas. The Sindri rationalisation scheme, which will result in the production of triple phosphate to a capacity of 326,000 tonnes, based on pyrites and rock phosphate, is expected to be completed by June next year. The modernisation programme of this plant, under which 330,000 tonnes of urea will be produced from fuel oil, however, will be completed by April, 1978.

other projects

Besides the Sindri rationalisation scheme, the FCI hopes to complete next year the expansion programme of the Gorakhpur project which will yield 111,000 tonnes urea capacity based on naphtha. Three projects, namely, the Ramagundam plant, the Talchar unit and the Nangal expansion scheme are expected to be completed early in 1976. The Ramagundam and Talchar projects, which are based on coal, would have a capacity of 495,000 tonnes of urea each. The Nangal expansion scheme will yield a capacity of 330,000 tonnes of urea. Its feedstock will be fuel oil.

The Haldia plant and the Trombay phase IV expansion scheme are anticipated to be completed by March and July, 1977, respectively. The former will have fuel oil as feedstock and turn out annually 165,000 tonnes of urea and 500,000 tonnes of nitro-phosphate. The latter will raise the present capacity of the Trombay unit by 365,000 tonnes of nitrophosphate. To run this capacity, ammonia will be imported in the beginning. When the fifth expansion of this unit, which will raise its capacity by another 236,000 tonnes of urea, is completed by July, 1978, the ammonia requirement of the fourth phase programme would be met locally. The fifth phase programme of Trombay is to be based on fuel oil. The Korba unit, which will be producing 495,000 tonnes of urea from coal, is expected to be completed by October, 1978. One more project of the FCI, namely the Paradeep Plant, which will produce besides fertilisers, soda ash, has been cleared in principle.

In line with the recommendation of the Fuel Policy Committee, the FCI is now engaged in drawing up plans for the future fertilisers projects to be based only on coal. It has already completed studies for two units to be located at Giddi in Bihar and Marghrota in Assam. The study for a plant at Kampattee in Maharashtra is in the final stages. Studies in regard to two more units—one to be located in Madhya Pradesh and the other in Uttar Pradesh—are expected to be taken up shortly.

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World population conference

Impressions about journalists' encounter

L. T Karamchandani

"IT KNOCKED out biases, from the technical and political points of view," commented an editor from one of the developing countries while summing up the Encounter for Journalists on Population which preceded the World Population Conference at Bucharest (Rumania) in August 1974.

The World Population Conference organised by the United Nations was deeply concerned with two problems : first, how best could the media covering the conference be briefed on the major issues; and second, how could the media be helped to translate effectively the importance of these issues to their specialised audiences or readership ?

the format

After weighing all possible courses, the United Nations decided upon the format of an Encounter for Journalists, to take place immediately before the 3-day conference was to begin. Journalists attending the conference were invited to participate in a series of discussion sessions in which two or more experts on various population-related themes freely voiced their views. Open debates followed. A widely recognized editor chaired each discussion session, and a "resource" person was on hand to supply factual data. To further involve the journalists, each discussion session closed with a question and answer period. To ensure good response from the media men from developing countries, where population is a vital issue, the United Nations offered to bear the travel and living expenses of a limited number of journalists from Asia, Africa, Latin America and the Middle East.

A number of governments including Denmark, Finland, the Netherlands, Norway and Sweden willingly rendered financial support to the project.

Further support came from the German Marshall Fund of the United States, whose president, Mr. Benjamin Read, played an active role in suggesting speakers, and was present in Bucharest for both the Encounter and the Conference. Other contributors were the United Nations Fund for Population Activities, the Population Institute, John D. Rockefeller III, the Rockefeller Foundation and private Mexican donors. The Philips company of the Netherlands made an unusual gift of tape recorders.

While the United Nations organized the Encounter through the Centre for Economic and Social Information under the guidance of a Management Committee, it was greatly assisted by the Rumanian Union of Journalists which ironed out important details in Bucharest. Thank to Mr Ioan Stanculescu, Secretary of the Union of Journalists, this proved a very helpful arrangement.

lively discussion

The discussions were indeed lively. Dr Aurelio Peccei, President of the Club of Rome debated *Population and World Resources* with Dr. Han Suyin, physician and author of *A Many Splendored Thing*. Lester Brown of the Overseas Development Council in Washington, D.C. and author of the new publication on consumption of food and energy, *In the Human Interest*, took up the question of 'population policy' with Dr Aziz Bindary, President of the Supreme Council on Family Planning of Egypt, and also with Prof. Lucille Mair, a member of the Social Development Commission of Jamaica. Anthropologist Margaret Mead and the Commissioner for Economic Development of Lagos, Rasheed Gbadamosi explored 'Human Settlements: Urbanization and Development' from the general and specific points of view respectively.

Dr Okite Saburo, President of the Overseas Economic Cooperation Fund of Japan, Prof. Costin Murgesou, Director of the International Economic Research Institute in Bucharest, and Prof. Candib Mendes de Almedia of Brazil, a member of the Pontificial Commission for Justice and Peace discussed 'Population and Economic and Social Development'.

At the final discussions senior editors from major publications expressed their views on how to project the ideals through various media. Among others the notable speakers were Victor Aguilar, General Manager of Bolivian Television, Prof. Nestor Ignat, President of the Journalists' Union of Romania, Jean-Pierre N'Diaye, a member of the editorial board of "Jeune Afrique", and Peter Kellner of the *Sunday Times* (London).

In all, more than 250 journalists attended the Encounter sessions and later engaged the speakers in probing question and answer exchanges. Following each meeting, a small working group of the UN sponsored journalists met to produce a summary report and the covering press release. Although these report session took place under pressing conditions of time it gave the UN Fellows a chance to meet on another and applaud or criticize positions on population, according to their own experience.

major figures

Dr Antonia Carrillo-Flores, Secretary General of the Conference, opened the Encounter. Major population conference figures including Mr Rafeel Salas, Executive Director of the UNFPA, and Mr Leon Tabah, head of the United Nations population division, addressed the Encounter Fellows at special press conferences in the Press Centre.

Since one of the major purposes of the Encounter was to assist the United Nations in planning similar meetings for journalists at future international conferences, an evaluation was considered essential. To achieve an accurate assessment from the journalists themselves UN presented them with a series of three separate questionnaires, all asking for their frank views on the position of the speakers, their effect on pre-Encounter opinions held and so forth.

The reactions were generally positive. Some of the opinions expressed were "speakers broadened my views", "not only knowledgeable, but stimulating", "it was helpful to meet journalists from other parts of the world" and "I have had the great opportunity to listen, learn and exchange views with colleagues, and hear well-known specialists on various aspects of the population problems."

Constructive criticism was however not omitted, although most journalists would have preferred fewer speeches, and more direct involvement in the discussions, with greater opportunity to express their own views in the exchanges. Smaller groups for questions were suggested. The United Nations is now taking a careful look at the evaluation, and will act on suggestions made.

The news stories on population matters, which have been forthcoming throughout the Third World since the Encounter, are proof indeed of the value of the Encounter at Bucharest. It is hoped and expected that these will continue in the months to come.

Asia's food crises: a programme for action

Dr Mohinder Singh

In the last two decades periodic food crises have been a familiar feature in the food deficit countries of Asia. In some cases, the severity of each succeeding crisis seems to have increased. As is well-known, around four-fifths of the area sown to rice, the staple food of the vast majority in Asia, depends on rainfall. Now and then, shortfalls in production occur because of drought, floods or typhoon damage. When shortfalls in production occur in several countries in the same year, the crisis assumes a regional complexion. Its severity is greater, if the modest rice surpluses in the region, rarely more than three million tonnes a year, are also reduced.

mitigatiug factor

A mitigating factor, hitherto, has been the availability of wheat and other grains from the developed countries and especially their availability on concessional terms. But the food crisis of 1973 was more extensive and severe than the preceding crises. The 1972 rice harvests were poor in most of the developing countries of Asia. In parts of Africa and the USSR also grain harvests were unsatisfactory. Owing to large purchases of wheat by the USSR and some other countries in 1972-73, wheat prices increased sharply and by September 1973 were over three times the prices prevailing a year ago. In June 1973, wheat stocks with major exporting countries were at the lowest level since the Korean war. Very little rice was available for sale in 1973.

Unfortunately no significant improvement is in sight. The 1974-75 world wheat crop is expected to be lower than the previous crop; and carryover stocks with the major exporting countries are lower than a year ago. Total supplies of foodgrains in the United States are expected to be substantially lower than in 1973-74. Prices of wheat and coarse grains remain high. In Asia, the 1974-75 rice crop has suffered in several countries due to drought and/or floods.

Generally, the action taken to deal with each crisis follows a similar pattern. To begin with, steps are taken to arrange larger imports of foodgrains from abroad and to procure surplus grains from within the country. Second, arrangements are made for distribution of foodgrains to non-producing consumers in urban areas (or to specified low income groups). Third, emergency food production programmes are adopted; the goal of achieving self-sufficiency in foodgrains within a relatively short period (two or three years) is announced, often at the highest level. The pace of agricultural development quickens. But if the harvest in the following two years are better than the average, the situation tends to look hopeful. The tempo of agricultural development effort slackens. Meanwhile, consumption requirements continue to increase. And within a few years, there is another serious shortfall in production and a new food crisis. The goal of food self-sufficiency remains elusive.

What then should be the approach to the hitherto intractable problem of food self-sufficiency? One thing that has to be recognized at the outset is that it calls for a long-term strategy for bringing about a sustained increase in the production of cereals (also proteinous foods) and reduction in the fluctuations in production and supplies. It requires coordinated and concerted action covering a broad front. Since technological improvements have a vital role in the modernization of agriculture, the development of supporting industries (e.g. chemical fertilizers, processing of foods etc.) and infrastructure (including development of rural roads and transportation) have also to receive adequate attention.

high-yield varieties

A favourable factor in the situation is the availability of the new high yielding varieties of cereals responsive to heavy inputs of nitrogenous fertilizers. But the technological breakthrough has really occurred in the case of wheat. In the case of rice, the new seed varieties can be grown only under conditions of controlled water supply. Moreover, considerable applied and adaptive research is required in the different regions of each country. In the case of some other cereals, some technological problems have still to be solved.

Let us consider briefly some important elements in a possible action programme.

To begin with, in the medium term, the aim should be rapid expansion of marketable surplus of cereals through concentrated use of new seed/fertilizer technology in areas most promising. For instance, in areas suitable for wheat production, major effort could be concenrated on increasing its productivity and roduction. Similarly, in irrigated areas actual and potential) where the available igh yielding varieties of rice can be rown, effort could be concentrated on hem. In Bangladesh, for instance, some f the high yielding varieties of rice could e grown in the spring season by utilizing nderground water-resources. Again, in he case of Indonesia, rice surpluses could perhaps be increased more quickly by concentrating effort in some of the islands other than Java.

notable points

Two points should be noted. One is that concentration of effort in areas most promising should be secured, as far as practicable, through increase of the total effort and not diverting effort from areas currently being covered. Secondly, while the basic idea of 'concentration' is not new, it is being considered now in the context of availability of new high yielding varieties of wheat and to some extent of rice. Again, in the past, concentration of effort implied concentration of development expenditure, a sizable part of which was in the form of government outlay, or provision of grants or low interest loans. Political pressures negated such efforts by insisting on wider geographical spread of these resources. In view of the increased profitability of agriculture associated with high yielding varieties of seed, political pressures could perhaps be contained by eliminating subsidies from agricultural supplies and short-term credit and linking supplies of some inputs (e.g. chemical fertilizer) with sale or barter of specified quantities of wheat or rice.

For its success, the goal of increasing marketable surplus of cereals requires several supporting measures. These include expansion of irrigated area, provision of agricultural inputs, extension services, credit and marketing as well as agronomic research. While these are known elements of developmental effort, some reorientation in approaches can be considered.

In the medium term, expansion of irrigated area should be secured through planned utilization of underground water resources. The strategy should be to encourage the farmers to use their own savings, the role of governments being limited to: (a) providing advisory services; (b) ensuring availability of institutional credit to bridge the gap between the funds required and the resources of the farmer; and (c) ensuring availability of technical facilities and materials through approved construction companies etc. Moreover, the farmers could be encouraged to set up irrigation groups or associations and go in for jointly owned and operated tubewells.

Some recent developments that call for fresh thinking and action should be noted. One is that in years of deficient rainfall, water supplies in the reservoirs are reduced periodically and hydro-electric power generation is adversely affected. As a consequence, the power available for operation of tubewells, lift pumps and industries linked to agriculture is adversely affected. A second and enduring adverse factor is the recent sharp increase in the price of crude oil.

In view of these, it might be useful in some cases to arrange for independent assessment of (a) the 'normal' water-level in reservoirs of hydro-power projects that can be expected in the light of past experience and (b) the frequency with which shortfalls are likely to occur. The possibility cannot be ruled out that the original assumptions regarding 'normal levels' were too optimistic. Or is there any longer trend towards increasing deficient rainfall?[1]. An assessment of the type suggested could serve as a basis for planning availability of additional energy supplies through conventional thermal power plants or nuclear plants to meet the gap (present and future) in energy requirements and also mitigate somewhat the effects of periodic shortfalls in hydroelectric power.

direct relationship

The output of high yielding seed varieties has a direct relationship with the use of fertilizers. For instance, an increase of one million tonnes in the consumption of fertilizers could mean an increase of 8 to 10 million tons in the production of wheat or rice.[2] In the developing countries of Asia, the consumption of fertilizers increased from 1.4 million tonnes (N) to 5.06 million tonnes in 1969-70 and the forecast for 1980 is 12.8 million tonnes (N). Some important recent developments in the fertilizer situation should be noted. One is the curtailment of production in several exporting countries owing to lower prices in the second half of the 1960's and the consequent running down of stocks. Global supplies became short in relation to demand in the latter part of 1971 and prices started increasing. Thus early in 1974 the f.o.b. price of urea was US $250-280 per ton as against $46 per ton in 1971.[3] A recent aggravating factor has been the increase in the prices of crude oil and oil based feed-stock. Although the immediate problem is to secure supplies of fertilizers from abroad, action has also to be taken to improve utilization of existing production capacity (often barely 60 per cent at present). In the medium term expansion of production capacity might also be necessary. In planning for new capacity, care has to be taken to ensure that only economic sized plants are established and where domestic requirements are expected to be small, joint production arrangements between two countries might be considered. Furthermore, the economic feasibility of non-oil based manufacturing processes would have to be carefully considered in view of the sharp increase in the prices of petroleum. And international assistance and support for research and development of new processes for manufacturing non-oil based fertilizers would also be useful.

debt burden

Two other points should be noted. One is that owing to sharp increases in oil prices, the balance of payments problems of many of the developing countries will be aggravated and they may need external assistance to import the vitally needed supplies of fertilizers. Although the availability of long-term low interest loans could help tide over the immediate difficulties, in the long run increases in the existing heavy debt burden of many countries could also create problems. Bilateral trading arrangements might help in some cases. In some others, 'grants' in the form of fertilizers (bilateral or international) might be a better alternative to loans Second, within a country efficient use of fertilizers might be facilitated by charging market price or bartering these with specified quantities of foodgrains.

Extension education, has an important role in increasing productivity and production. The difficulties of extension work have sometimes been over-estimated in the past. For, in several countries, new varieties of cash crops could be popularised fairly quickly. And more recently the high yielding varieties of wheat, that are much more profitable than the older varieties, have spread fairly rapidly even before any large extension network could be established. The techniques of field demonstration, group approach, and training of young farmers can help deliver the goods, even with limited personnel, when the improvement to be recommended is significant. Some of the important factors limiting the spread of new technology are arrangements for the availability of production credit, agricultural requisites (chemical fertilizers etc.) and marketing, including storage and transportation. In the present context, these acquire a new dimension and call for innovative, flexible and pragmatic approaches. A few important points are noted here. One is that with the spread of known high yielding seed varieties, the volume of production credit required per hectare of sown area as also per village increases sharply. Second, while existing credit institutions like co-operatives cannot be expanded rapidly, new innovative arrangements and practices could be tried. These could include, for instance, direct provision of production credit by co-operative banks to groups of viable farmers in a village on the basis of a joint guarantee regarding repayment. Third, there are well-known advantages of a link up between production credit and arrangements for supplies of agricultural requisities as in Japan and Taiwan. Finally, if institutional credit is to play a major role in the modernization of agriculture and credit institutions are to remain viable, they should be enabled to recover loans through proceeds of the crops marketed.

agronomic research

In the context of programmes for improving land productivity, agronomic research is of basic importance. Some aspects of it need to be noted here. To begin with, the improved seed varieties being developed at international research institutions require supporting research (basic and applied) at the national level as well as applied and adaptive research in each region of a country to develop varieties suitable for different areas. And this implies the need for a sizable research establishment in each country as has been done in Japan. Furthermore, agronomic research has to be of a continuing nature to develop resistance to pests and diseases, to increase yields, to improve nutritional content etc. Besides, experience shows that following introduction of an improved variety, yields tend to increase but attain a plateau within a few years. In the case of Japan, for example, yields per hectare of rice (paddy) which averaged 4.25 tonnes in 1948-52 and 4.34 tonnes in 1952-56 started increasing from 1957 and stood at 5.14 tonnes in 1961. Thereafter yields more or less stabilized and the next significant increase occurred in 1966 with a yield of 5.75 tonnes. After that yields attained a plateau.[4] The experience of Taiwan is somewhat similar. Generally, breakthrough in yields is associated with introduction of new seed varieties, increased (or improved) application of fertilizer, improved control of pests and diseases, improved cultural practices.[5] Hence, the continuing nature of research in this direction.

A second major area calling for action is the need to reduce fluctuations in production. But agriculture in Asia being largely dependent on the monsoon, fluctuations in production cannot be eliminated completely. Nevertheless, it should be possible to reduce the frequency and amplitude of shortfalls in production in relation to the long-term trend. The table below throws some light on the present position in this respect.

larger decrease

It should be noted that, in almost every country, the average decrease in production is larger than the average increase. In the case of a country like India, in four out of six years the decline in output below the trend ranged between 8.3 and 14.4 per cent. In terms of the 1971 output, it would mean a shortfall in production of 5.3 million and 9.2 million tonnes. Again, in Sri Lanka, in four out of seven years the decline in output below the trend ranged between 4.8 per cent and 24 per cent. In Thailand, in five out of seven years, the decline ranged between 6.4 per cent and 21.4 per cent. On the other hand, in Japan in four out of five years, the decline ranged between 3.1 per cent and 4.4 per cent.

For reducing fluctuations in production, particularly shortfalls in production, a number of suggestions can be considered. To begin with, there is the need to encourage innovative research to identify the main seasons during which the crops suffer as well as the major causes for these losses (for instance droughts in September) and to find ways of reducing them. Consider, for example, the case of Japan, where the periodic losses due to typhoon damage have been reduced by sowing rice under vinyl covering much ahead of the previous sowing season and harvesting the crop before the main 'typhoon season'. Moreover, crop losses have also been reduced through control of pests and insects.

maximising production

Another approach might lie in maximising production in irrigated areas and also in expansion of irrigated area, especially through utilization of underground water resources. Incidentally, in Japan almost all the area under rice is irrigated. While that target may not be feasible in many Asian countries, sizable expansion of irrigated area could improve the security against deficient rainfall.

Over the longer period, promotion of research on improving productivity of crops grown in areas receiving scanty rainfall would be desirable. At the international level, research along these lines is underway at the International Crop Research Institute for Semi Arid Tropics.

To minimize the impact of fluctuations in food production on the supplies available to governments for food distribution, the developing food-deficit countries have been maintaining national food reserves. These reserves comprise imports from abroad and domestic purchases, especially following a good harvest, when market

Average Percentage Variation of Rice Production from Trend 1957-71

	Burma	India	Indonesia	Japan	Philippines	Sri Lanka	Thailand
Avetage decrease	9.7 (4)	6.8 (6)	3.8 (8)	3.3 (5)	3.1 (8)	5.7 (7)	8.5 (7)
Average increase	3.2 (11)	4.4 (9)	3.5 (7)	3.1 (8)	3.7 (7)	6.3 (8)	5.6 (8)

Notes:
1. Trend is based on five year moving average.
2. For Japan the period covered is 1957-69 because from 1970 Government tried to reduce production.
3. Figures in brackets denote the number of years in which actual production was lower or greater than the trend.

Sourec: F. A. O., Rome: Production Year Books, 1972 and earlier.

prices are low, sometimes even lower than the minimum government guranteed prices. Wheat forms an important part of these reserves, owing to its availability on concessional terms, relatively lower prices and ease of storage. In view of the considerable capital costs involved in building and maintaining food reserves, their size is often limited to a few months requirements for food distribution by the government concerned. However, the targets for national reserves have been increased in the past two decades. For instance, in India the official target for food reserves was two million tonnes in the 1950's but following the 1965-66 food crisis, it was decided to establish a buffer stock of at least three million tonnes. For the fourth Plan period (1969/70-1973/74) a target of five million tonnes was originally set; subsequently it was increased to seven million tonnes.[6]

The developing rice exporting countries generally export the maximum possible quantity, but some stocks are held by exporters or millers except in Burma where export trade has been nationalised. Governments in these countries have not maintained national food reserves.

major shortcoming

In the post-World War II period, food aid has been available largely from the USA and to some extent from other developed countries. Except for limited quantities available in the form of outright grants or gifts, the bulk of aid was in the form of sales on concessional terms involving payment in local currencies and in instalments covering 30 years or so with a grace period of around 10 years. Food aid thus helped the developing countries to meet food shortages without diverting their limited foreign exchange resources from development programmes. But there is also the obverse side of food aid. Perhaps, a major shortcoming of large scale food aid was that it diverted the attention of the countries from the basic problem of increasing domestic production.

For example, although the high yielding varieties of wheat had been successfully developed in Mexico in the 1950's and that country had become self-sufficient in 1957, it was only after the disastrous crop failures of 1965-66 that India started experimenting with these seeds. In Indonesia, in recent years, large imports of foodgrains from the USA on concessional terms have provided local currency resources for financing development expenditure in agriculture. Consequently the much needed fiscal reforms have been postponed. But food self-sufficiency remains a distant goal. Is it a mere coincidence that practically no Asian country that received large food-aid in the post-war years, has attained self-sufficiency?

Limited quantities of food aid have also been available in the 1960's from the World Food Programme. This aid has been in the form of grants to meet emergencies arising from natural disasters and to promote selected development projects.

speedy action needed

In a sense, the problem of stabilizing the food supplies available for distribution to non-producing consumers, is largely a problem of developing Asian countries with four-fifths of their cropped area depending on rainfall and with massive annual increments of population (around 40 million). Periodic crop failures in one or more countries push up domestic prices and require speedy action to expand the supplies available for distribution. Bilateral food aid agreements take several months to negotiate. Even if funds are available for purchasing, supplies from North America arrive after several months. Moreover, if crops have failed in several countries, prices in exporting countries increase. Sometimes freight rates also go up. The rice surpluses available in Asia are small even in relation to normal import requirements of deficit countries. Some possible approaches to the problem are examined below.

An important area for action is to assist the developing food deficit countries to strengthen their national food reserves and to persuade the developing rice exporting countries to maintain national reserves. Several considerations are involved in determining the appropriate size of national food reserves including past experience, rates of increase in domestic production and consumption, financial burden etc. However, an approximate idea might be formed by setting the target for national reserves 25 per cent higher than the largest imports of rice and wheat in any of the years 1967-71. On this basis, the food reserves required would be nine million tonnes for India, two million tonnes for Bangladesh, 2.6 million tonnes for Indonesia, 1.3 million tonnes for the Philippines and 1.5 million tonnes for Sri Lanka. In the case of Burma and Thailand national reserves targets might be set at one-third of the highest exports in 1967-71 or 300,000 tonnes for Burma and 500,000 tonnes for Thailand.

One way of making it possible for the developing countries to strengthen (or build) national food reserves would be to provide them with long-term credits that carry only service charge by establishing a special facility of the IDA type, perhaps within the same framework, to reduce administrative costs. Criteria could be established for determining the volume of assistance required by the countries including the level of food reserves currently being maintained, the balance of payments position, the existing debt-service burden etc.

For convenience let us assume that in the case of Bangladesh, the Philippines, Sri Sanka, Burma and Thailand, the full initial cost of the grains required would be met through credits and that in the case of India and Indonesia one-half of the total cost would be met through credits. Let us also assume that three-fourths of total reserves in these countries would be in the form of wheat and one-fourth in the form of rice.[7] For obvious reasons, a programme for expansion of national reserves can be started only when world supply situation improves and prices come down to reasonable levels, say $100 per ton for rice and $80 per ton for wheat. On these assumptions, the total credits required by these countries would amount to US $964 million.

financial burden

The countries receiving credits will have to bear the annual costs (including costs of turnover) and assuming that these costs would amount to seven per cent of the capital cost, the total annual financial burden on these countries would be about $100 million.[8] For countries other than India and Indonesia, the total annual costs may be around $32 million.

The idea of a regional food reserve sounds attractive. However, in practice it is not easy to build, maintain and operate a regional reserve. A more practical way of achieving the same objective might lie in evolving a scheme that integrates the concept of a regional buffer stock scheme with national reserves. One possible approach might lie in providing international assistance for expansion of national reserves on the condition that a specified percentage of national reserves is designated as a regional reserve. The implication would be that a participating country having a good crop might be required by an international organization like the World Food Programme to make available to it a part of its regional reserves, for the use of another country that has suffered a shortfall in production. Various arrangements could be considered for these transactions.

For example, a country might agree to make these supplies available to WFP on replacement basis a year later. In turn WFP could make these supplies available to a participating country in the form of a commodity loan to be rapaid in terms of an acceptable commodity. The problems likely to arise in the working of this or other arrangements like differences in type or quality of grain, the prices to be used for settling accounts, arrangements for inspection and arbitration etc. will have to be spelled out in the agreements between the WFP and the countries. And the possibility of default, for reasons beyond the control of a country, will also have to be provided for.

facing shortfalls

With the type of national-cum-regional arrangements referred to above, the participating countries would be better prepared to face shortfalls in food production that do not affect all of them at the same time. But even in a contingency of the latter type, they would fare better and international trade would not be seriously disturbed.

At the international level, the action required would be, firstly, to arrange credits of around US $1,000 million. The amount would be lower if part of the wheat required for reserves becomes available in the form of gifts or grants. Moreover, in mobilizing the resources required, the possibility of persuading the oil exporting countries to establish a special facility for this purpose with the IDA could be explored. Some of the middle eastern oil exporting countries are food deficit and have a special preference for quality rice. Given assurances of supplies upto specified limits, on prevailing market prices, these countries might sympathetically consider provision of financial assistance. Even food-deficit countries like India could participate in giving such assurances by guaranteeing export availability of specified quantities of *basmati* rice. Secondly, cash resources would have to be provided to an organization like WFP to operate a regional reserve scheme.

For containing the food crises in developing Asian countries, action is required not only at country level but also at international level.

At the country level, it is necessary to have a long-term strategy for increasing production of cereals (also proteinous foods) and reducing the amplitude of fluctuations in production. In the medium term, the emphasis has to be on increasing marketable surpluses of cereals through concentrated use of proven technological improvements in areas most promising. These efforts would have to be supported by increasing utilization of underground water resources, provision of production credit, supplies of chemical fertilizers, extension work, agronomic research etc.

crucial problems

A crucial problem relates to ensuring availability of chemical fertilizer through arranging imports, improving utilization of existing production capacity as well as expansion of production capacity. But this is an area requiring substantial external aid. The continuing nature of agronomic research in programmes for varietal improvement has to be recognized and institutional arrangements for adaptive research have to be strengthened. At the same time, agronomic research can be useful in helping to reduce periodic crop losses as in Japan.

For dealing with the difficult problem of procuring domestic marketable surpluses, consideration could be given to the experience of Japan and Taiwan where governments have successfully exercised monopoly control over rice marketing. In the latter case, fertilizers have been bartered with rice.

If national food reserves are expanded within the framework of a regional food reserve scheme, the countries would generally be better prepared to cushion the impact of shortfalls in production without seriously disturbing international trade.

Five broad areas requiring international action and assistance are noted below.

First, financial assistance in the form of long-term low interest loans (preferably credits of the IDA type) is required by the countries to facilitate: (a) planned development of underground water resources; (b) provision of adequate energy supplies; (c) expansion of capacity for fertilizer manufacture; (d) import of fertilizers in the short-term.

Second, international action and assistance is required to strengthen agronomic research. This is already being undertaken at international level by three research institutions. These institutions could perhaps expand their activities to include advisory assistance to the countries for strengthening their research programmes or facilities and international financial institutions like IBRD (IDA) could provide credits to expand research facilities at the country-level.

A third area requiring international action and assistance is promotion of research and development of new processes for manufacturing fertilizers that do not use natural gas or petroleum as feedstock. Research institutions having expertise should be financially assisted by the United Nations Development Programme to work on these problems.

A fourth area for international action and support is research and development to discover new sources of energy including harnessing of wind power and solar energy that are abundant in Asia. In these fields also United Nations could promote research effort through grants to research institutions.

Finally, substantial financial assistance (around US $1,000 million) in the form of credits of the IDA type is required to help the developing Asian countries expand and maintain national food reserves, possibly within the framework of a regional food reserve scheme.

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1. Cf. United Nations Development Forum, April 1974: Drifting Towards Drought.

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4. Based on data in Production Year Books of FAO.

5. Japan FAO Association, Tokyo: Agricultural Development in Modern Japan.

6. Government of India, Ministry of Agriculture (Department of Food): Review of Food Scarcity Situation in India, Nov. 1967, and Report, 1973-74.

7. In the case of India, the whole of the externally financed reserves have been assumed to be in the form of wheat because rice imports are very small in relation to total imports. In the case o rice exporting countries, the reserves would be i the form of rice only.

8. According to an FAO estimate these cost amounted to nine per cent of capital cost. However, since interest charges are expected to b much lower in the present case, a rate of seven pe cent hasbeen used. (cf, FAO Commodity Policy Studies, 11)

WINDOW ON THE WORLD

Uncertainty more uncertain

Vienna

E. B. Brook

WITH THE British general election out of the way west Europe is assured of only one thing — that another element working for change in its political and economic make-up has been made more certain. The West German refusal to accept the decision of the Market's Council to raise farm prices in the Community by five per cent has made it obvious that the only solution in fixing prices within the Market is to embed them in the comprehensive economic and currency policies of the organization and not fix them ad hoc to meet temporary circumstances and under threat of civil unrest by Europe's farmers. The British election result has made it fairly certain that the Labour government in London will now carry out its promise to put the question of Market membership to the unusual, for Britain, test of a popular referendum. There may be no hurry about this; Britain has far more pressing problems than whether to go in to reverse in its association with the continent, Market membership cuts across all party lines and the result of a referendum on the subject might well be more unpredictable than many seem to think. But the effect on Europe and the Market is to make a period of some uncertainty more uncercertain.

The farm prices difficulty, involving a deep stocktaking of the common agricultural policy, has revealed to the Market what difficulties it brings on itself by trying to fix prices without controlling production and gleefully accepting the initial good results of the protection they give against outside competition. The production results of high fixed prices and virtual protection have been first the "mountain of butter" of which the principal beneficiary was the USSR which bought shiploads at cut prices and now the "mountain of beef" which has also resulted in such farming Market members as Ireland and France shipping boatloads of prime beef cheaply to the same destination in order to avoid complete loss. It has resulted, also, in such European non-members as Austria seeking urgently and cheaply markets for its cattle as far afield as Japan while people in the Market area buy their joints more expensively.

Further expected surpluses of milk and milk products up to at least next spring will have to be tolerated but the Market will be required by its principal financial contributor, West Germany, to keep more closely to the principles of the Rome Treaty which founded it and control farm production as well as the prices of the products. On the farming side there has been a dismaying display of greed and a disregard of energy shortages when everywhere farmers demonstrate using tractors which burn up valuable petrol and diesel oil to voice their grievances.

Another area of change for the Market is fast approaching, working out a relationship with east Europe which, according to Brusssel's own regulations of common policy, making bilateral trade agreements between its members and the east European socialist states illegal after the end of this year, is forced upon it. The necessity for a Common Market relationship with east Europe and Comecon — the east's much older common economic organization — comes to Brussels when its circumstances no longer resemble the golden days of the sixties. Its members are crucially short of fuel and industrial energy; several of them already buy some natural gas and oil from the USSR. The totality of its membership is again uncertain with a referendum promised in Britain and its agricultural price-fixing has been thrown in to the complex problem of economic and currency unity by the West German refusal to accept the recommended five per cent rise in farm produce prices. It is not the best condition in which to face an increasingly consolidated economic structure in east Europe whose principal partner benefits from the oil difficulties by being enabled to raise its prices for gas and oil almost four-fold.

Faded into history are the days when the Market's first president, Hallstein, banned relations with all east Europe. Today's Presiaent, the Corsican M. Ortoli, so far from refusing to receive east Europe is making the first move by visiting Moscow next month at the invitation of Comecon's Secretary-General, Mr Fadeyev. M. Ortoli will take with him a sample trade pact, to be approved by the Market's Foreign ministers in a few days, incorporating a list or rules for Market members in trading with the east Europe.

comprehensive agreement

East Europe prefers comprehensive cooperation agreements to piecemeal individual commercial pacts and this type of working arrangement has for some time been superseding the old-style two-way bargain. The Common Market will find Comecon an organisation very different from itself, unable legally to negotiate with others for all the east Europeans but very strongly dissuading its members from trying to bargain individually with the Common Market.

At the same time as the Market and Comecon try their hand at getting together a detente between the Market and its smaller brother in west Europe, EFTA (the European Free Trade Association) is getting started. EFTA, now a mixture of Scandinavian and Alpine countries and Portugal, has for some time been largely ignored by the Market which has preferred to make agreements individually with EFTA's members. The Market is beginning now to accept the practice of collective meetings of experts from the Nine of the Market and the Seven of EFTA to discuss technical problems created by these agreements. Progress will be slow, largely because of French and Italian hostility to EFTA as an alternative to the Market weakening the scope of the Rome Treaty, but EFTA has proved remarkably durable. As long ago as 1961 it was supposed to be dying since when it has survived the major shock of losing Britain's membership and also Denmark's.

Portugal was, till recently, an odd man out in this grouping of small countries committed to liberal democracy and it may not be insignificant that the first Common Market official to visit Portugal is now in Lisbon to discuss possible future relations between the European Community and Portugal's three African territories after they have achieved independence. Portugal would need considerable aid and progress for several years before it would be strong enough to stand the strain of Market membership but the possibility has been thought of.

World efforts to meet inflation and lessen the force of the energy problem may have been helped forward slightly by the US President's new economic programme but it has not deeply impressed west Europe. Initial response within the USA is not expected to be swift but no one can ignore changes in an economy whose national output is greater than that of the whole Common Market and Japan put together. The impact of President Ford's measures is far from clear in Europe nor their effect on the rate of inflation.

With the US Congress facing mid-term elections next month the Congress that disposes of Mr Ford's plans early next year may have so large a Democrat majority that his Republican policies may not appeal after a long interval. In the USA, as everywhere, there will be preference for measures that avoid recession and unemployment: both in the USA and in Britain reflation is likely to be preferred to deflation and monetary policies relaxed to whatever extent is necessary to avoid financial convulsions. France, whose parliament will shortly consider an anti-inflation levy, is already regarding the proposal as antagonizing both employers and labour. The way of the economizer is hard; everyone is cutting down on energy consumption by up to 20 per cent, but the majority are not economizing by more than 12 per cent. Christmas is coming; long faces and hard days belong to next year which always seems much farther away than the mere two months interval before we get there.

The Rome conference: a preview of the food problem

THE SPECTRE of world food crises can be banished by interlinked programmes of massive new investment in agriculture — with contributions from the oil-rich countries as well as from traditional sources — expanded food aid, security stockpiling of food supplies and better trading arrangements.

This is the thesis of an exhaustive study, "The World Food Problem: Proposals for National and International Action", prepared for consideration by the United Nations World Food Conference to be held in Rome from November 5 to 16.

long-term solution

Basic to the study is the idea that the only long-term solution to the problems of chronic under-nourishment of nearly half a billion of the world's peoples and threat of famine is a substantial increase in the agricultural production of the developing countries. Direct food aid is called for also, but as a palliative until the poorer countries move closer to self-sufficiency either through increased food production or export earnings to finance food imports.

The document puts at $US 5,000 million the target for annual external assistance for agriculture in the developing countries — in technological expertise, grants and loans, "soft" and "hard". The present flow of such assistance is estimated at $US 1,500 million.

To monitor and coordinate this flow of aid through existing national and international agencies, Conference Secretary-General Sayed A. Marei suggests the establishment of a World Food Authority governed by a Permanent Council, elected in equal numbers by the United Nations General Assembly and the Conference of the Food and Agriculture Organization of the United Nations.

Such an authority, Mr Marei foresees, would provide the "direct interrelationship" among existing development agencies that is "non-existent or unclear" at present. It would not, in the secretary-general's view, become a new operating agency but rather a financing and coordinating body to integrate the work of such organizations as FAO, the World Food Programme, World Bank, or regional banks and others in to an overall strategy for tackling the food problem in the three interrelated areas of food production, food security and food aid.

"What is called the world food problem is really two problems", the document declares. "The first is the threat of famine, food shortage or excessively high food prices, following dislocation of supplies due to some disaster or unexpected fluctuations in production. This danger extends from relatively small dislocations affecting only a limited number of people to a major disaster caused by crop failures extending over many countries. The second problem is the ever present hunger of the poorest people of the world".

high output goals

"In order to prevent the projected food deficits of the developing world", the paper says, "substantially higher goals of food production will have to be established and achieved. It is estimated... that the minimum requirement is to step up the average annual growth rate of food production from 2.6 per cent in the preceding 12 years to at least 3.6 per cent in the next 12 years. If this minimum acceleration in production is not secured, then, given the likely increase in demand, the developing countries as a whole might well face annual deficits approaching 85 million tons (of cereals) in normal years and over 100 million tons in years of bad crops."

Almost half of the document is devoted to analysing the series of measures deemed necessary for achieving the necessary increase in food output in the developing world. They cover a wide range, from agricultural inputs such as fertilizers, research to overall rural development and investment.

Among these are proposals to expand production of fertilizer, pesticide and quality seeds; to increase livestock production in Africa by controlling the tetse fly scourge; tripling expenditures on agricultural research in developing countries; improvement, rehabilitation and extension of existing irrigation systems and establishing new systems; and doubling the fish production in the developing world by 1985 to vastly increase intake of protein.

"The steps needed to bring about an improvement in food production in developing countries are not startingly new," the document comments, "but have been presented to highlight the complex interrelationships in the task of agricultural development and also to underline many specific programmes which deserve high priority".

trebling allocations

The implementation of the recommended actions would call for more than trebling the current allocation of external resources for assisting the development of agriculture in the developing countries between 1975 and 1980, the paper states. This would mean raising the annual flow of such resources to the poor countries for this purpose from about $US 1,500 million in 1975 to at least $US 5,000 million by 1980, it adds. This would facilitate stepping up the annual rate of total investment (domestic and external) in agriculture to a range of $US 16,000 to $US 18,000 million during this period.

Agricultural output of the developing countries in fact has expanded over the past twenty years as rapidly as that of the developed countries, the paper notes, but the growth has been insufficient. The main reason cited for the growing imbalance between the food supply and demand was the rate of population growth which in the developing countries was twice as fast as in the developed countries. Today the developing world has 2,500 million inhabitants — by the end of the century it might have 5,000 million mouths to feed.

By most conservative estimates, the document says, more than 460 million people "are permanently hungry" and their capacity for living a normal life cannot be realized. At least 40 per cent of them are children. The majority live in rural areas — small farmers, tenants and rural people without land or jobs. They also include the desperately poor in city slums.

Increasing food production will not automatically solve the distribution aspects of the food problem the document warns, but special steps need to be taken to get food to the many millions of the under and-mal-nourished. It asks whether, for example, it is not possible to aim at providing supplementary nutrition to at least one-quarter of the world's undernourished children. It would cost only $US 20 per year to provide 600 additional calories and 20 grammes of protein to each child's daily diet. It also has been calculated that $ US 50 million a year for a ten-year period would cover the cost of eliminating the greater part of the diseases directly due to lack of vitamins and certain other nutrients.

"Analysis of the trends in world food production indicates that the potential exists for an adequate food supply over the next decade", the document asserts, "provided that both national and international measures are adopted to increase production and productive capacity. But two factors in particular make it imperative that improvements in food production are accompanied by a system of food security".

varying abilities

One is the varying ability of countries to respond to the need for increases in food supplies and in resources at their disposal for importing the necessary food. Second, the fluctuations in food production arising primarily from irregular weather patterns mean that even a satisfactory trend of food availability may be interrupted by periods of shortfall.

"The breakdown in world food security came about largely because of a system of stockholding which was inadequate to meet an unexpected shortfall in grain supplies in a period of rising demand", the paper asserts. "During the past twenty years there were always in the background the large surplus stocks held in the grain exporting countries which could be drawn upon in any emergency. But today the agricultural policies of some of these countries have been revised in order to avoid in the future the accumulation of surpluses."

Therefore, the document states, the burden of whatever is the minimum quantity of stocks in cereals and other foods which the world needs for security will have to be shared among a much larger number of countries.

"This is the heart of the concept of world food security", it adds. "It implies a general intent on the part of all countries to establish their own food insurance through stockholding and a willingness to engage in international co-operation regarding the holding and management of food stocks."

"The financing of security represents a burden which must be distributed in an equitable way taking into account the benefits received and the ability to pay for these benefits. This implies inevitably a commitment by developed countries to shoulder a major proportion of the costs of any world security scheme."

Trade has important links with food security, the paper points out. Countries that will need to import food on a regular basis must have export opportunities, at fair, stable prices, for their products of both agricultural and non-agricultural origin.

"Without a trade and payments system which gives to developing countries the same opportunities that are enjoyed by the developed world", the document declares, "food security will be hard to achieve".

Many developing countries will require concessional food aid on a continuing basis if they are to sustain even a minimum level of food security for their populations, the paper declares. Such aid had fluctuated greatly in past years and the volume had been cut in half during the past eighteen months compared with its average level during the preceding ten years.

The paper suggests that food aid be reorganized on a longer term and more secure basis. Governments should accept a concept of forward planning, say on a three year basis.

'hard core' requirements

"It is suggested also", the paper adds, "that the bilateral and multilateral programmes taken together aim at providing a minimum quantity of ten million tons of grain per year to take care of "hard core" food aid requirements. The cost of food aid in future should be equitably shared between food-exporting and other high income countries."

In addition to being invited to endorse the main elements of the strategy proposed in the document, the World Food Conference will be asked to recommend how the strategy as a whole and its various parts should be implemented. It also should indicate how the additional resources required for carrying out the strategy should be mobilized.

Many of the actions recommended fall, partially or fully, under existing United

Nations Specialized Agencies, the document notes. Other functions are carried out by *Ad Hoc* intergovermental bodies or not at all. The point is stressed that there is no direct interrelationship between several bodies with development assistance funds and those various agencies and bodies which formally or informally coordinate national and international policies on food aid and food security.

"It would be unrealistic to suggest the creation of a "supranational" body or organization which will oversee everything and monitor national policy or actions in all fields", the paper asserts. "What is essentially needed is a mechanism that will provide sustained and effective support to national action necessary to achieve the desired objectives and at the same time facilitate coordination of international actions and policies in all the related and complementary areas. It has therefore been proposed that the World Food Conference consider the creation of a new body, perhaps to be called a "World Food Authority", to implement or coordinate the implementation of the appropriate recommendations and decisions of the Conference".

Essentially three functions are suggested for such an authority:

1. To mobilize international financial assistance for agricultural development in developing countries including assistance from new sources which may not be equipped to channel such funds individually: using existing channels of disbursement and technical support where feasible;

2. To provide support to a wider system of world food information and security and to facilitate the observance of the (proposed) international undertaking of world food security; and

3. To facilitate the implementation of the longer term food aid policy proposed for adoption by the Conference.

—U.N. Centre for Economic and Social Information

New strategy for Europe's energy problem

THE OIL crisis has revealed clearly, and in a lasting fashion, the European Community's excessive dependence on imported energy. The revelation has compelled Europe to reconsider its energy policy. The age of cheap imported energy has probably ended and will not return for a long time, if ever. The European Commission, the Community's executive and initiating body, therefore saw itself obliged to present the legislative body, the Council of Ministers with comprehensive proposals for a future energy policy strategy.

The principal objective of these proposals is to achieve the maximum reduction possible in the degree of dependence on the rest of the world for energy. By this means, greater security of supply should be guaranteed and drastic price changes in the energy sector avoided. In this connection, the intention is not solely to avoid increases in the prices of the various sources of energy: even considerable price reductions on the energy markets are hardly desirable, as they would cast doubt upon the viability of investments in other energy sources in the Community, which are aimed at helping to reduce the dependence on imported energy.

On the one hand the forms of energy produced within the Community are to be sold as cheaply as possible, to attract the consumer to them. On the other hand, successful attempts to achieve greater security of supply can be made only if the investors, i.e. the undertakings can expect sufficient viability in the long term. A happy compromise between these two premises must be found. What is certain is that the public authorities must provide assistance for such a drastic structural change. It is also certain that the objectives in view can be attained only if consumers as a whole become aware of their collective responsibility for finding a better, i.e. more rational, use of energy, which will in future be in shorter supply and more expensive than before. It will be the duty of the politicians and businessmen and of public and private associations to create such an awareness.

solidarity of members

A further precondition for the successful reorganisation of the energy sector is solidarity on the part of the Member States.

Only when the sharing of burdens and the free movement of goods is possible without hindrance in normal times can such solidarity be achieved in times of crisis. However, solidarity also involves greator division of labour. In the longer term it is thus in the economic interests of each Member State to organize its supplies of its main energy-carriers along Community lines. Thus, for example, W. Germany and the United Kingdom will have to concentrate on their coal production and assume responsibility for supplying other countries in which coal is no longer produced. The same applies to the Netherlands in respect of natural gas, and to the United Kingdom and France in respect of oil.

A slowdown in the growth of demand for oil, more rapid development of nuclear energy, increased supplies of natural gas and improved competitivity of coal, including a larger potential market for imported coal : these are the fundamental objectives to be attained by 1985. If these objectives are to be attained, the supply structure must be diversified, both geographically and as regards types of energy, in such a way as to prevent crises from arising in respect of either quantities or prices. A lesson can be learnt in this connection from the oil crisis, which has been overcome, and the prices crisis, the effects of which will be reflected in the national balance of payment figures over the next few years. The objectives for 1985 include an average annual growth of the Community's gross product of 4.5 per cent. At the same time it is assumed that substitution, i.e. the change-over from the consumption of one source of energy to the consumption of others, can be achieved only in stages in some sectors, and is completely impossible in others. In the medium term, the opportunities for substitution are extremely limited in the steel industry or in the motor transport sector, for example, while the electricity sector is far more able to adapt.

Now on to the more concrete objectives. A more rational use of energy could reduce internal consumption by 10 per cent compared to the figure originally estimated for 1985. Provided that nuclear energy can be developed and obtained more rapidly in future, the share of electricity in the total consumption of energy should rise from the current figure of 25 to 35 per cent. The Community's dependence on imported energy is to be reduced to 40 per cent in 1985 (1973 : 63 per cent). Dependence on imported oil is to be reduced from 98 to 75 per cent, and the share of oil in the total supplies of energy in the EC is to be reduced to 40 per cent (1973 : 60 per cent) If the dependence on imported oil is to be reduced, the Community must produce 180 million tonnes of crude oil in 1985; high hopes have been placed on North Sea oil. In future the use of heating oil in thermal power stations is to be restricted.

In the case of coal, the current production level (255 million tonnes/year) is to be maintained· At the same time it is planned to import more coal. This would mean that in 1985 coal would still cover 15 per cent of total energy supplies. In 1973 it was 23 per cent. - As a general rule, thermal power stations are to change over from oil and natural gas to coal and nuclear energy. In 1985, nuclear energy should cover approximately 50 per cent of the demand for electricity. This would require an installed capacity of at least 200 GWe. Natural gas is to cover 25 per cent (1973 :12 per cent) of the Community's energy supplies. To this end, production of natural gas in the Community is to be doubled to 230 million toe (tonnes of oil equivalent). At the same time it is planned to increase imports considerably and to obtain imports from varied sources, pursuant to the principle of diversification.

need to rethink

The need to rethink the energy policy, which arose from the oil crisis, becomes particularly clear if the objectives laid down in the energy strategy are compared with the figures drawn up for 1985 before the crisis. For example, the original estimates suggested that the dependence on imported energy would rise by one to 64 per cent as compared to 1973.

It must be stressed that the figures given are not estimates but objectives. The Community, i.e. the governments of the Member States, must enter into a political commitment, the economic and social aspects of which will give rise to numerous problems. If the strategy is to prove successful, joint responsibility must be assumed at a community level by undertakings, the Member States and the Community institutions. The EC Energy Committee will probably play an important role in the implementation of the strategy. The Committee, to which experts from the Commission and from the Member States belong, and of which the Belgian Vice-President of the Commission, Mr. Henri Simonet, is Chairman, is to assist the Commission in examining the objectives. It may be assumed that the very composition of the committee will enable it to be the authoritative body in preparing decisions. The decisions themselves must then be taken by the Council.

colossal investments

According to Commission estimates, investments in the entire energy sector in the Community will rise to approximately $300,000 million (1973 value) during the period 1975-85. The greater proportion of this amount, i.e. approximately $150,000—180,000 million, will be invested in the electricity sector, with approximately $120,000 million having to be spent on nuclear energy. A sum of $110,000 million will be invested in oil and natural gas, and $6,000 million in coal. Investments to approximately 1.5 per cent of the Community's gross product, will rise to approximately 2-2.5 per cent during the period 1975-1985. This means that, roughly speaking, the growth of investments will be between 0.5 and one per cent of the gross Community product. Provided that that there is no noticeable drop in the prices of imported oil in the long term. the additional net investments required within the framework of the strategy for the period in question will probably amount to approximately $10,000 million. During the same period however, the Commission thinks that it will be possible to make a net saving of approximately $50,000 million on payments for imported energy.

One of the most important tools for attaining the objectives and encouraging the collaboration of the undertakings is a prices policy which offers sufficient long-term returns on the investments needed. Such a policy must be accompanied by incentives to increase investment or by fiscal measures to prevent those forms of energy with low production costs from receiving an extra economic benefit. Because of the large amount of investments required, the undertakings will have to resort to a considerable degree to the international capital market. The Community must facilitate such investment if it is to attain its objective, i.e. to cease to be dependent on imported energy.

In the proposals which it has now presented for a new energy strategy, the European Commission has laid down guidelines for the development of all sources of energy. Nuclear energy will play an important role in this new strategy. By 1985, for example, the date set for attaining all the medium-term aims of the strategy, 50 per cent of the total electricity generated should be produced using nuclear energy. The share of electricity in the EC's total consumption of energy should by then amount to 35 per cent (1973: 25 per cent). An installed capacity of approximately 200 GWe would then be required to obtain the quantity to be generated using nuclear energy. As electricity can be produced on the basis of various types of primary energy, it can be considered as particularly advantageous from the point of view of security of supply. The annual rate of increase in the consumption of electricity, which is currently 7.2 per cent will probably rise to eight per cent at the beginning of the 'eighties and to approximately nine per cent by 1985-1990. Greater use will be made of electricity particularly to heat buildings and in the field of traffic and transport. Furthermore, consumption in off-peak periods must be promoted, and this must be done by fixing appropriate tariffs. Another reason for altering the tariffs is to enable electricity producers to receive adequate revenue so that nuclear power stations can be constructed.

accent on nuclear energy

While there is to be an exceptionally large increase in the supply of nuclear energy, the generation of electricity using hydroelectric power will probably increase only slightly, and its importance as a source of electricity will therefore decrease still further. Almost the only Community country in which the production of electricity on the basis of brown coal is still economical is Germany. As soon as nuclear energy can meet the increased demand for electricity, better use will probably be found for a certain proportion of the brown coal. Gasification is a possibility which deserves particular mention.

As a general rule, natural gas, too, should be reserved for more important uses. The strategy lays down that natural gas should be supplied to power stations only on the basis of interruptible supply contracts and only if it can be put to no better use for the moment or if the use of natural gas is indispensable for economic, technical and environmental reasons.

Oil-fired thermal power stations should limit their consumption in the long-term to the heavy residual oil from the refineries. In future, the construction of new oil-fired power stations should be authorized only in exceptional cases. An

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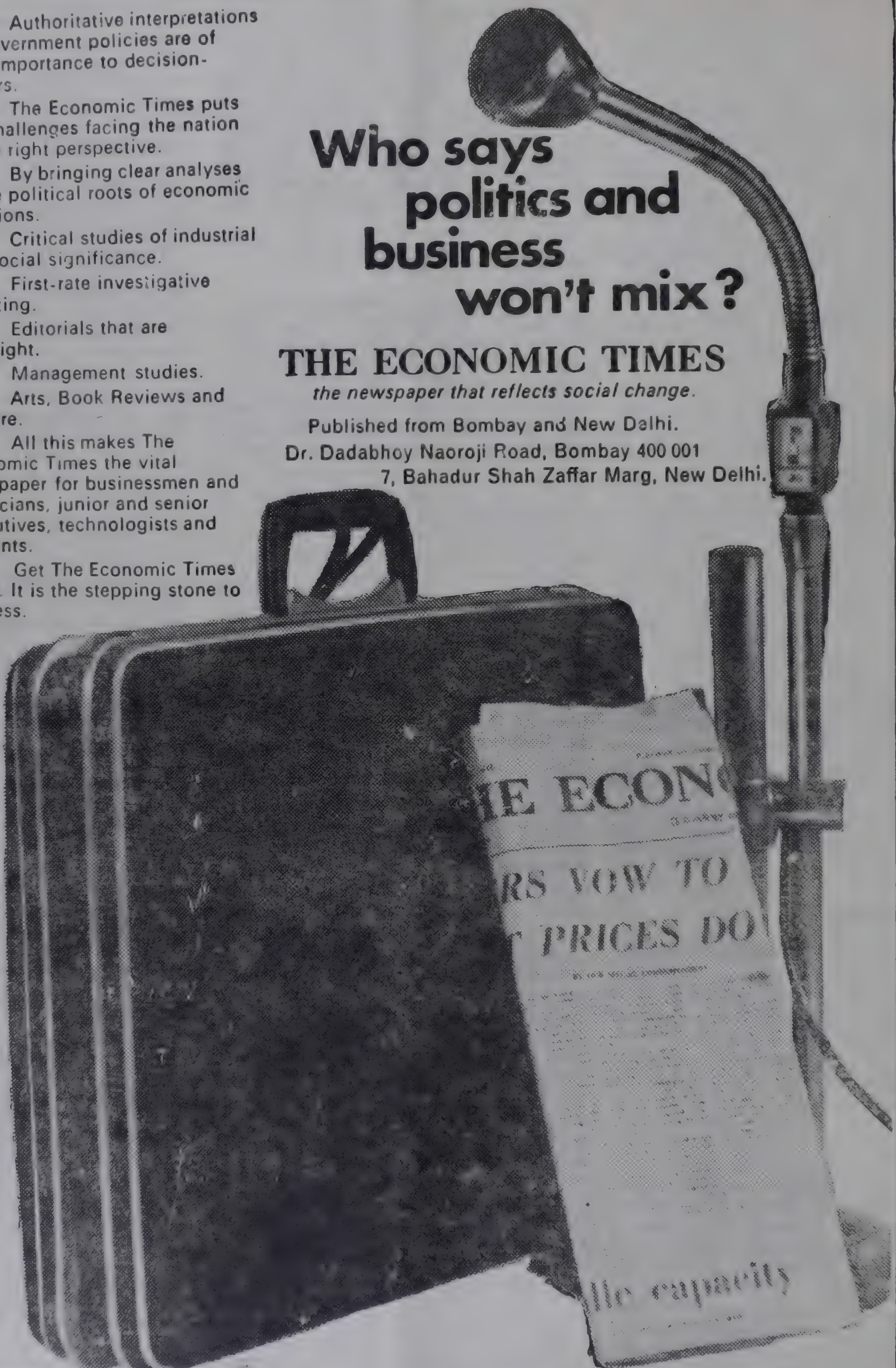

example of such an exceptional case would be to enable low-capacity power stations to cover peak period requirements. The existing oil-fired power stations, and those under construction, should, if possible, gradually start to be used only in medium-demand and peak periods. Theoretical result of these measures should be the reduction of the share of petroleum products in the total generation of electricity from the current figure of 30 per cent to less than 20 per cent in 1985.

fast breeders

Electricity generation in coal-fired power stations should be increased from the current level of 30 per cent to 50 per cent by 1985. If there is to be a considerable increase in the available supplies of steam coal, long-term contracts must be concluded between the coal industries and the electricity producers. On the other hand, it is in the Community's interest to promote the development of new nuclear power stations. The development of the fast breeder should contribute towards security of supply, the introduction of high-temperature reactors should prepare the way for better use of nuclear energy as a producer of heat, and the advantages of both types of reactors should be combined.

Although a certain proportion of the coal produced in the Community has once again become competitive as a result of the increase in oil prices, the coal industry is, for various reasons, unable to adapt quickly to this new situation. The reasons for this are the considerable amount of time required to develop new production capacities, the inability to bring closed pits back into operation, the inability to guarantee viability, and difficulties in recruiting and training workers. The Commission's strategy is based on the assumption that the use of coal in the steel industry will remain relatively stable. A dynamic development could take place in the electricity industry. on the other hand, where the polyvalence of the power stations enables them to change over to coal relatively fast. At present, approximately 80 per cent of the Community's coal consumption is divided almost equally between the power station sector and the steel industry. Community coal covers approximately 90 per cent of this consumption.

The Commission is of the opinion that the Community's coal production should be stabilized by 1985 at its current level of approximately 250 million tons per year. If this target is to be reached a number of stringent measures are required. For example, rationalization must be achieved by concentrating output on the coalfields with the highest productivity. Should it be necessary, for regional or social reasons, to keep a particular coalfield in operation, the costs incurred must be borne by the public authorities. Rationalization in existing pits and the creation of new production capacities must be assisted by means of low-interest loans from the European Investment Bank and the European Coal and Steel Community (ECSC). Attractive wages and guaranteed promotion opportunities, plus financial incentives to increase mobility should help in the recruitment of worker, The prices policy to be followed should enable a system of price autonomy to be introduced gradually for the coal undertakings. Finally, the Community must make financial contributions to enable more research and development work to be carried out. This policy must be supplemented by a number of additional measures which are imposed by the low degree of adaptability of the coal industry.

increased research

Financial assistance would be required in this connection to guarantee the competitivity of the consumer with a long-term attachment to coal. In addition, research into the gasification of coal must also be intensified. As the Community's coal industry is at present scarcely in a position to cope with the sharply rising demand, especially for electricity generation, increased imports from non-Member Countries can be expected. In this connection, the conclusion of long-term contracts and the participation of industries in joint ventures in the coal industries of non-Member Countries must be promoted. The opening of the Community's markets to coal from non-Member Countries must, however, not jeopardize the existence of the Community's coal industry. There should therefore be a certain amount of supervision. The stockpiling policy should make up for the effects of interrupted supplies by requiring that considerable stocks be accumulated by producers and consumers.

In the case of oil, the Commission's strategy is based on the assumption that in 1985 this source of energy will still cover 41 per cent (1973 : 61 per cent) of the Community's total energy requirements. Oil will therefore remain the most important source of energy in the Community. The role of the multinational oil companies will change in some fields. For example, the market should become more transparent. In practical terms this means that undertakings must be prepared to keep the national and Community institutions informed on price, quantity and investment trends. The EC Energy Committee would appear to be a suitable body for remaining in permanent contact with the undertakings. The Commission stresses that it does not want to force this contact into a inflexible, legalistic framework. Consequently, an appeal will first be made to the goodwill of the undertakings to work together under changed conditions. However, it is very important that the Common Market should remain attractive to the undertakings because of its uniformity.

On the question of commercial policy, the Commission proposes constant supervision of the importation and exportation of hydrocarbons by means of a system involving the automatic issue of licences. This would ensure that a constant flow of information would be obtained on the quantities traded and would at the same time enable protective measures to be adopted in times of crises or tension. In addition, an effort should be made to harmonize the prices of oil and petroleum products in the Community. An attempt should be made to attain this objectives by stages, at the end of which a set of Community rules on price levels should be drawn up. However, the authorities should be able to intervene only in cases of tension on the market. The Community's rules on prices would include the obligation for undertakings to publish price lists for all important petroleum products in the principal consumer sectors.

"speak with one voice"

The Commission is of the opinion that Member States should, in future, consult the European Institutions before concluding agreements with oil producing countries. When engaging in cooperation with other consumer countries, especially within the framework of the OECD, the Community should "speak with one voice". Special efforts must be made in future to prospect for oil in new areas, such as the North Sea. Although most of the expenditure in this connection must be borne by the oil industry, an active contribution from the Community could be required in certain cases. The EC's expenditure on "Community Projects"* should be increased. Furthermore, the term "Community Projects", which is currently restricted to technological development in the field of hydrocarbons, should be extended to include prospectives, storage and transport. Should difficulties arise with regard to supplies, a set of Community instrument should be available which should include the control of movements of crude oil and petroleum products within the community more rapid methods of obtaining information on imports and exports, a number of measures to restrict consumption and the ability to intervene in the field of prices.

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*"Community Projects" : projects having the nature and status of supranational industrial cooperation which could benefit from fiscal and capital concessions granted by the Community.

Natural gas, from which approximately 13 per cent of the Community's energy was produced in 1973, should cover approximately 25 per cent of the requirements in 1985. The doubling of the share of energy supplies covered by natural gas also requires a doubling of natural gas production in the Community to approximately 230 million t.p.e., and a substantial increase in imports.

additional incentives

The Commission proposes that internal production be increased by implementing measures such as tax concessions for the exploration of new sources of supplies and financial aid. Furthermore, the extension and integration of the transport and stockpiling system will enable the transport of natural gas to be effected under safer conditions, seasonal fluctuations in growing demand to be coped with more easily and the security of supply to be increased, should supplies be interrupted for technical or political reasons. Furthermore, natural gas must be put to the best possible use, i.e. it should no longer be used in power stations, and prices and tariffs must be harmonized at Community level.

Assistance towards the accomplishment of the multifarious tasks set be the energy strategy should be given by a Community body which has legal personality and financial autonomy. The Community must supply this body with the necessary funds to enable it to take part in Community projects. It should be under the supervision of the Commission and be assisted by an advisory committee comprising representatives of the Member States and of the various circles concerned, such as industry, labour and consumers.

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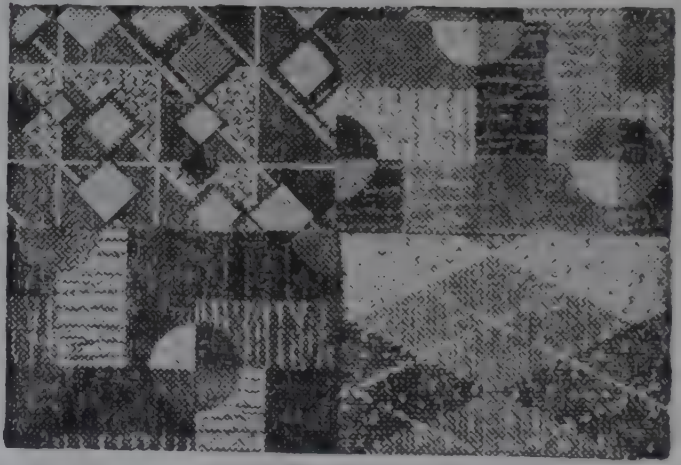

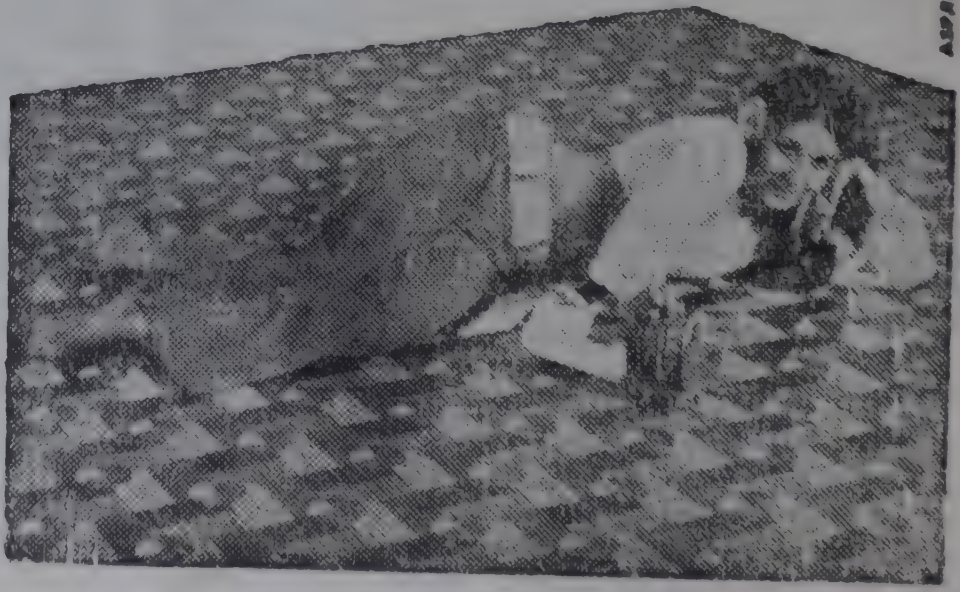

TRADE WINDS

Ordinance on Poll Expenses

THE PRESIDENT promulgated on October 19 an ordinance to provide that election expenses, incurred by a political party or a person other than candidate shall not be deemed as expenditure incurred by the candidate for the election. The Ordinance has been promulgated to get over the situation created by a Supreme Court judgement, which brought expenses incurred by a political party within the mischief of the expenditure ceiling provision of the election law. The Ordinance will not affect decisions already made by courts. The Ordinance, signed by President Fakhruddin Ali Ahmed, appended this explanation to section 77(1) of the Representation of the People Act. "Notwithstanding any judgement, order or decision of any court to the contrary, any expenditure incurred or authorised in connection with the election of a candidate by a political party or by any other association or body of persons or by any individual (other than the candidate or his election agent) shall not be deemed to be, and shall not even be deemed to have been, expenditure in connection with the election incurred or authorised by the candidate or by his election agent for the purposes of this subsection."

Coal Output

Production of coal, which has been given top priority among the sources of energy, was expected to rise to about 145 million tonnes by the end of the fifth five-year Plan from the present 78 million tonnes, the union deputy minister for Energy, Prof Siddheswar Prasad stated recently. He indicated that the original target of 135 million tonnes was revised in view of the world oil crisis and subsequent high cost of oil import. One of the basic things that would guide national energy policy, he said, is to reduce the cost of energy input and therefore stress would be laid on building large sized plants to obtain economies of scale.

India-Gabon Cooperation

President Fakhruddin Ali Ahmed and Gabon President, Mr Albert-Bernard Bongo recently expressed their desire to strengthen the economic, scientific and technical cooperation between the two countries. Speaking at a banquet hosted in honour of the visiting President, Mr Fakhruddin Ali Ahmed assured Mr Bongo India's fullest cooperation in the task of economic and social development in the "same spirit and comradeship as we have supported all these years the struggle for freedom and independence." In his reply, Mr Bongo said the relations which have been woven between India and Gabon in the diplomatic sphere can and should result in the establishment of a much larger framework of cooperation.

Consortium Banking

The Reserve Bank of India has accepted the recommendation for the evolution of a consortium banking system in India for promoting collective application of resources to the optimum development of the economy. The recommendation was made by a study group appointed by the bank under the Chairmanship of Mr G. Lakshminarayanan, Chairman and Managing Director of Indian Bank, to study the participation arrangements between banks and make recommendations to improve them. After eliciting the views of bankers and industrialists, representatives of term-lending institutions, government officials, presidents of chambers of commerce and industry, the group presented its report to the Reserve Bank on July 16, 1974.

To promote the consortium, the study group recommended that the member banks should evolve a common form of credit appraisal and documentation so that the borrower was not called upon to submit details to each bank in its own form and execute bonds of pledge or charge or undertaking in favour of every bank separately in its own form. An appropriate committee might be set up to draft and evolve a common form of documentation. Even in regard to term lending by inter-institutional group, a common form of documentation should also be evolved.

The group has, however, stressed that the common form of documentation should not prevent an independent examination of the proposition by each participating bank or institution. As regards post-credit follow-up, it suggested that this should be done at a single point, that is every member doing it by turn and reporting the result of his inspection to others. The food consortium arrangements should be forged between the banks themselves and the total business of the Food Corporation of India should be shared among the participating banks. Even the other consortia arrangements, concluded recently with the initiative of the Reserve Bank in respect of some large lending limits, should become voluntary arrangements brought about by the financing bank themselves.

The group has also recommended that the guidelines issued by the Bureau of Public Enterprises should be revised permitting public sector undertakings to deal with any bank of their choice and transfer accounts from one bank to another. The group was of the view that there was no case to treat public sector undertakings differently from the private sector corporations in the matter of banking arrangements and hence the involvement of the Bureau of Public Enterprises in the banking arrangements of public sector corporations was not necessary. It felt that with the nationalisation of the 14 major banks, the context had changed. Further the progressive canalisation of trade, particularly import-export trade, through public agencies had added importance to the question of sharing of public sector business. The group also emphasised the desirability of bringing the public sector undertakings having multiple banking arrangements under consortia arrangements.

Iron Ore Exporters

With Brazil, one of the world's largest iron ore exporters, agreeing to the idea of forming an iron ore club, the meeting of iron ore exporting countries in Geneva in the first week of November may see the emergence of an organisation of iron ore exporting countries on the pattern of the Organisation of Petroleum Exporting Countries (OPEC). Australia which had been reluctant to join a formal club, has also relented after the recent visit of the union minister for Petroleum and Chemicals, Mr. K.D. Malaviya, to Australia. India, which had been appointed as coordinator for the ministerial level meeting in Geneva, has done considerable spade work in selling the idea of an iron ore exporters' organisation to realise better price for this commodity.

Mr. D.P. Chattopadhyaya, union minister for Commerce, met Brazilian President, minister for Foreign Affairs and minister for Mines and Energy recently and impressed upon them the need to form an organisation of iron ore exporting countries. According to a report, Brazil has agreed to join India in its efforts to form an organisation of this type. Brazil, however, feels that the organisation should be of a flexible type. The developed countries, with large iron ore exports, such as, Australia, Sweden and Canada have been attending as observers the meetings held by iron ore exporting countries in the developing world.

Jute Export Team

To assess the long-term implications of some international developments on the Indian jute industry, a high powered fact-finding delegation is leaving for the US shortly. The delegation will be headed by Mr S. G. Bose-Mullick, Secretary for Export Production, in the Commerce ministry, the Jute Commissioner, and a representative of Indian Jute Mills' Association as other members of the delegation. Earlier expectations that due to the energy crisis, the competition from synthetic substitutes to jute goods as packing material would lessen has been belied. On the contrary, competition has remained firm, except for a few months when there was a sudden spurt in demand and high buying of jute goods occurred during last three months of 1973. An analysis of this phenomenon made by the Commerce ministry has revealed that because the manufacture of polypropylene was an integrated part of crude refining processes in the US.

Leipzig Fair

The 1974 Leipzig Autumn Fair, which closed its gates on September 8, following eight days of brisk business, is a renewed impressive illustration of the fame of the Fair city as "a place of trade open-to-all the world". More than 6000 exhibitors from 48 countries offered representatives of industry, trade, science and technology, excellent opportunities for successful business, useful contacts and extensive information. This year's Autumn Fair was keynoted by two significant anniversaries: the 25th of the founding of the GDR and a quarter of a century of successful cooperation between the states of the Council for Mutual Economic Assistance (CMEA). The Leipzig Fair proved that cooperation in the field of external economic relations with several countries of Africa, Asia and Latin America, has shown a remarkable increase. The growing participation of prominent combines and firms from non-socialist industrial countries reaffirms the attractiveness of Leipzig — the international centre of world open trade. Important export and import contracts were signed in the Fair city with exhibitors from India, France, Italy, Belgium, Great Britain, the Federal Republic of Germany, Austria, Sweden, Switzerland, the Netherlands and several other countries.

Trade with EEC

India's exports to the European Economic Community have improved in 1973-74. The exports to this region amounted to Rs 592 crores as against Rs 406 crores in 1972-73. In fact, about 25 per cent of India's total worldwide exports was absorbed by the EEC. Although India still has an adverse balance of trade with EEC as a whole, the deficit appears to be declining and India seems to be moving towards a balance of trade with the community as a whole. With several member countries of the Community, India already has a favourable balance of trade. These include the United Kingdom, Italy, the Netherlands, Denmark and the Ireland. The two-way trade between India and EEC has registered an increase of 69 per cent in value between 1970-71 and 1972-73 while Indian exports to the Community have increased by 52 per cent. The trend continued in 1973-74.

It is understood that India's rapidly growing exports to the Community have contributed appreciably to the record increase of 44.5 per cent in India's total export trade during the first four months of the current financial year. In the context of India's trade with the Community, a Commercial Co-operation Agreement between India and the Community has come into force from April 1, 1974. Under this, an Indo-EEC Joint Commission has come into being which held its first meeting in Brussels in May, 1974.

New Board for LIC

The government has reconstituted the board of directors of the Life Insurance Corporation of India (LIC) with effect from October 16, 1974. The present chairman, Mr K. R. Puri will continue as chairman. The new members of the board are: Mr K.R. Puri, chairman, LIC, Bombay, Mr R. M. Mehta, managing director, LIC, Bombay, Mr R. B. Pradhan, managing director, LIC, Bombay, Mr R.D. Thapar, Additional Secretary, department of Revenue and Insurance, ministry of Finance, New Delhi, Mr V. V. Chari, Deputy Governor, Reserve Bank of India, Bombay, Mr Gurdev Singh, Chandigarh, Mrs. Indira Maya Ram, Jaipur, Prof. Y. B. Gangurde, Bombay, Mr Mohammed Shabir Khan, head of the department of Economics, Aligarh Muslim University and Dr Bhabatosh Datta, Calcutta.

Improved Production of Heavy Units

The 14 heavy industrial units under the ministry of Industry and Civil Supplies have achieved 38 per cent of their targeted production of Rs 566 crores in the first six months of the current financial year. The performance of the units, formerly under the ministry of Heavy Industry, "would have been better, but for power-cuts and non-receipt of imported and indigenous materials in matching quantities and shortage of working capital." The value of production in six months ending September this year was Rs 213.49 crores as compared to Rs 146.27 crores for the same period last year. The target for the first half of this year was, however, Rs 250.89 crores. There are 15 units under the Heavy Industry, but Scooters India is yet to go into production. Of the 14 units in production, the Bharat Heavy Electricals alone accounted for more than 50 per cent of the value of production. At Rs 112.56 crores the BHEL achieved 91 per cent of its target for the period.

Norwegian Team for Shipyard

A team of experts from Norway arrived in this country recently to visit Hajira in South Gujarat to examine this place as a possible site for the proposed shipyard. The expert team had discussions with the state government. The adviser to the governor, Mr H.C. Sarin, presented Gujarat's case before the experts' team. The team later left for Hajira. This is the second expert team from abroad which has been assigned by the union government to report on two suitable shipyard sites in the country. A British team has already visited Hajira.

Ships for Export

The Mazagon Dock, a public sector undertaking, has entered the international shipbuilding market and has secured export orders worth Rs 8 crores. The order is for two 2,500 DWT cargo vessels for Singapore, 64 barges for Iran and one for Saudi Arabia. According to experts, there is tremendous potential for export of ships particularly small and medium vessels. Besides intensifying shipbuilding, the "Dock" is getting set to fabricate off-shore drilling rigs, off-shore fixed platforms and semi-submersible as well as jack-up rigs. It is already booked to make off-shore platforms for the Oil and Natural Gas Commission.

So far the only foreign exchange earning source of the "Dock" was repair of foreign ships. It earned foreign exchange worth Rs 3 crores during last year. The current year, opened with the supply of a dredger to the Kerala government on January 17. It also delivered eight 500-tonne Iron ore barges to various parties.

COMPANY AFFAIRS

Smart Rally

THE STOCK market staged a smart rally last week with several scrips recording significant gains on fresh support and hectic bear covering. The volume of business also improved considerably. The sentiment was aided by a number of reassuring ministerial pronouncements. The statement of Mr. T.A. Pai, the union minister of Industry and Civil Supplies, that no obstacles would be allowed to come in the way of expanding production of any essential commodity in any sector and the Prime Minister's emphasis at the meeting of secretaries of economic ministries to cut down delays in inter-ministerial consultations and ensure effective implementation of economic policies for stimulating agricultural and industrial production, were welcomed by marketmen. Reports hinting at the possibility of relaxation of credit in certain specified fields also brought some cheer to the market. The government's intention to revise upward the steel retention prices and expectations of decontrol of automobile prices also enlivened the market sentiment.

Dalal Street opened the week on a steady note with equities improving by appreciable margins. Over the week, equities, on balance, recorded handsome gains. Among the pivotal scrips, NOCIL were in the limelight with the quotation advancing from Rs 272 to Rs 301 before reaching to Rs 295. Gujarat Fertilizer shot up from Rs 456 to Rs 478 before closing at Rs 473. ACC moved up sharply from Rs 69 to 79 before finishing at Rs 75. Tisco, Telco, Scindia Steam and Great Eastern Shipping, among others, registered moderate gains. The Calcutta Stock Exchange, after a prolonged downtrend, staged a modest recovery during the week. There was scattered buying in active scrips which were considered to be profitable at the current level of prices. Selected buying marked the trading in Madras Stock Exchange during the week. The price trend, in general, was steady.

Sayaji Mills

The Chairman of Sayaji Mills Ltd, Mr Vadilal Lallubhai, has presented in his annual address to the shareholders of the company a penetrating and brilliant analysis of the ills of our economy during 1973-74. In sharp contrast to the many X-rays of the economy made by emiment spokesmen in public and private sectors, the chairman's treatment of the subject breathes an air of down-to-earth reality. Apart from locating the factors that caused social tensions and stresses and strains in the economy, the chairman with his remarkably practicable good sense, profound wisdom and farsightedness has putforward certain cogent suggestions and concrete proposals to pull the economy out of the mire and help it to regain its earlier vigour and vitality.

A runaway inflation, massive shortages of even the essential articles of common consumption, alarming rise in prices, food shortages and serious maldistribution, stagnation in production both in industry and agriculture—all combined have caused widespread discontent in the country. The fact that barely 0.59 per cent of the population are paying income-tax, doubtless proves that overwhelming majority of the population are below the subsistence level. Int he present conditions Mr Vadilal feels strongly — and rightly so — that only a reordering of priorities at once alone can help the masses and save the economy out of the present impasse. The accent, according to the chairman, should be on production of carefully selected articles which are indispensable for the minimum well-being of the weaker sections of the society, such articles being, foodgrains, cooking oil, firewood and kerosene, coarse and medium cloth, match box, sugar and jaggery, soap, house building materials, bricks, cement, lime corrugated and asbestos sheets and agricultural implements. While a most determined and relentless drive for the production of these irreducible minimum number of indispensable articles of "mass consumption", should be immediateily launched, and executed speedly, in the interim period imports of such articles may also be made, wherever necessary, in public and private sectors.

Once the solid foundation of self-sufficiency in the production of these basic necessities of life of millions of people is built, the government should proceed forthwith with ruthless determination in stepping up the production of certain infrastructural essentials such as power, irrigation and transport and of inputs such as fertilizers and seeds for agriculture and raw materials for industry. It is only after these sectors of vital importance are taken care of adequately that other articles of production should be thought of. The reorientation of economic policy on the lines of such reordering of priorities, the chairman emphasised, will help reduce our requirements of steel and crude in the future to a quantity much less than envisaged in the fifth five-year Plan, which in turn will earn for the country considerable amounts of badly-needed foreign exchange.

The chairman also made a pointed reference to the inordinate delay in the execution of the Narmada project which has inflicted incalculable hardship to the masses and colossal loss to the nation. The chairman sincerely hoped that the government would shed its apathy and casual attitude and execute the scheme without further loss of time.

Hada Steel

Hada Steel Products Ltd has reported considerable improvements in its working results during the year ended June 30, 1974, with sales and profits in particular recording spectacular increases over the preceding year. The financial results indeed, look all the more pleasing when considered against the several adverse factors with which the company had to contend with during the year, the principal factors among them being the shortage of key imported raw materials, the severe constraints in power supplies, steep escalation in the cost of production and teething troubles. Notwithstanding these unfavourable circumstances, the company was still able to push up its sales to the record level of Rs 54.66 lakhs from a mere Rs 6.82 lakhs in 1972-73 while gross profit was more than doubled to Rs 9.22 lakhs from Rs 4.02 lakhs in the preceding year. Out of the gross profit the directors have appropriated a sum of Rs 1.86 lakhs to depreciation reserve as against Rs 0.96 lakhs in 1972-73 while the allocation to development rebate reserve was provided with an amount Rs 61,750 as compared to Rs 2.54 lakhs in the earlier year. This leaves a substantially higher net profit to Rs 6.74 lakhs, an increase of as much as Rs 6.22 lakhs over 1972-73 and the entire surplus was transferred to the general reserve. The directors have recommended, subject to the approval of the Haryana Financial Corporation, an equity dividend of 12 per cent and also payment of 10 per cent on 5000 redeemable cumulative preference shares. The dividends—equity and preference—will absorb Rs 1.46 lakhs and will be paid out of the general reserve. An application is being made to the income tax department for granting exemption under section 80K of the Income Tax Act, 1961.

In spite of stiff competition already in this line, many more firms have been granted DGTD registration for manufacturing hacksaw blades. As such it is feared that there will be unhealthy competition. To meet the situation the directors are taking adequate steps to improve the marketing arrangements in various zones. The company is also making all out efforts to export but there is resistance due to competition from the UK, Japan, W. Germany and China. The company at the same time is going ahead full steam with the implementation of its slitting saws project and if everything goes well the plant is expected to be on stream early next year.

Nirlon Synthetic

Nirlon Synthetic Fibres and Chemicals Ltd has completed the installation of all machinery and equipment and the polycondensation plant is expected to be commissioned shortly. As a result of this project the company will be manufacturing polyester chips which hitherto had been imported for manufacturing polyester yarn. As a result of commissioning of the plant the company will be saving foreign exchange worth about Rs 70 lakhs per annum. Meanwhile the company has received a letter of intent for setting up a conveyor belting plant and active steps are being taken to implement the same at the earliest.

The company's application for importing capital goods necessary for expanding the textile yarn capacity to 4200 tonnes is still pending with the government since no policy for permitting expansion of the existing plant has so far been decided by the government. As a result of the shortage of caprolactam the company's nylon tyre cord plant had been closed since February 1974. The plant again had been put into operation but only after a lapse of over six months. Production of nylon textile yarn as well as the output of tyre cord declined by 38 per cent and 33 per cent respectively during 1973-74 as compared to the performance in the previous year.

Due to shortage of caprolactam it is feared that the company may not be able to maintain production even at the level of last year which again was much below the licensed capacity. Although the company achieved production of polyester filament yarn to the full expanded capacity permitted by the government during 1973-74, in the current year there has been difficulty in obtaining raw material even for polyester yarn and hence production will be comparatively lower during the current year.

The company along with other nylon textile yarn manufacturers have signed a fresh agreement with the various Actual Users' Associations of nylon yarn. The special feature of this agreement is that the company can sell 25 per cent of the production at a somewhat better price and the balance portion at an agreed price. The terms and conditions of this agreement have been well received by the government. As a result of the abnormal increase in the price of caprolactam, the price of nylon yarn has to be stepped up in accordance with the agreement with the consuming industry. These factors compensated the turnover which would have been substantially low otherwise due to the stiff fall in production. These were highlighted by the Chairman, Mr S. Vaidyanatha Aiyar while addressing the annual general meeting of the company.

Hyderabad Allwyn

The 300-litre capacity Allwyn Samrat, the country's first twin-door domestic refrigerator, was launched on October, 12, 1974 by Mr J. Vengal Rao, the Chief Minister of Andhra Pradesh. There has been a growing demand from the consumers for a domestic refrigerator with a large overall capacity and having a large-sized deep-freeze and separate doors for the deep-freeze and the main-fridge. It may be mentioned that Allwyn also has the distinction of being the only refrigerator with ISI certification. Allwyn Snow and Allwyn Queen were awarded ISI certification with effect from August 1, 1974. All refrigerators of these capacities produced after that date bear the ISI mark.

In the early stages Allwyn's activities were confined to war contracts and the manufacture of furniture. Production of all-metal bus bodies was taken up in 1955 in collaboration with Park Royal Vehicles, a subsidiary of British Leyland. From these small beginnings Allwyn has today turned out to be the coach builders for the nation. A large number of buses with Allwyn-made bodies are in use by various state road transport undertakings. Manufacture of refrigerators was taken up by Allwyn in 1958 for the first time in the country in collaboration with Pressed Steel Company of the UK. Again, true to its tradition, Allwyn scored another first with the introduction in 1972 of the 380-litre capacity twin-door/double - temperature commercial refrigerator. Other Allwyn products in the refrigeration line include bottle coolers and deep freezers. Allwyn continues to manufacture equipment for the defence.

Again in tune with its philosophy of diversification Allwyn manufactures gravity ventilation equipment, LPG cylinders, aircraft seats and band-saw machines. The new products which Allwyn plans to introduce in the market in the near future includes cooking ranges and washing machines. Allwyn recently received a letter of intent for the manufacture of 24,000 scooters and a separate company styled "Andhra Pradesh Scooters Ltd" has been promoted for this purpose. The first batch of Allwyn assembled scooters are expected to roll out of the factory in the second half of 1975.

The government of India had allowed Allwyn an expansion of its licensed capacity to manufacture up to 30,000 refrigerators during 1971, with a stipulation that five per cent of the annual production should be exported. In 1972 Allwyn secured an order for 5,000 refrigerators from Poland. The goods have since been shipped. Allwyn has once again approached the government for a further expansion to 100,000 refrigerators per annum. It has also plans to operate in a bigger way in foreign markets, particularly in the Middle-East. The turn over of Allwyn which was only Rs 8 lakhs in 1942-43 rose spectacularly to Rs 6.32 crores in 1965-66 after which there has been a steep fall. After the take-over by the Andhra Pradesh state government there has been a steady all-round improvement, the turnover in 1973-74 being of the order of Rs 10 crores.

T. Maneklal

T. Maneklal Mfg Company has reported modest improvement in profits and sales during the year ended May 31, 1974. With an increase in gross profits to Rs 72.67 lakhs from Rs 67 lakhs sales have gone up to Rs 4.91 crores from Rs 4.13 crores in 1972-73. An equity dividend of 12 per cent has been declared for the year which is the maximum permitted under the dividend ordinance. However, this is payable on an enlarged capital resulting from the one-for-three bonus issue, the bonus shares being eligible to a pro-rata dividend. The company paid a dividend of 20 per cent in 1972-73. The proposed equity dividends will absorb

Rs 7.45 lakhs as compared to Rs 11.92 lakhs in the previous year. Out of the gross profit, the directors have allocated Rs 26.94 lakhs to depreciation reserve, Rs 8 lakhs to development rebate reserve and Rs 22.25 lakhs taxation reserve as against Rs 18.56 lakhs, Rs 2.48 lakhs and Rs 28.90 lakhs provided respectively in 1972-73. The net profit after these allocations amounted to Rs 15.48 lakhs as compared to Rs 17.07 lakhs in the preceding year. After adjustments a sum of Rs 15.33 lakhs has been transferred to the general reserve out of which the proposed dividend will be paid.

Working in the current year was so far—up to October 15—is quite satisfactory. Sales during this period have been substantially higher at Rs 1.93 crores as against Rs 1.22 crores in the same period of last year. Orders on hand amount to Rs 5.51 crores as against Rs 4.11 crores a year ago. Early this year the company has fixed a sales target of Rs 6 crores for the current year. But the company is now rather sceptical of achieving this target in view of the recessionary tendencies that is being noticed in the textile industries. The company has commenced production of leather cloth on a commercial scale in the new plastics division set up at Vatwa. The licensed capacity of this division, set up at a cost of Rs 20 lakhs, is four million square metres per annum.

Premier Tyres

Premier Tyres has reported encouraging working results during the 15-month period ended June 30, 1974 with appreciable improvements in production, sales and profits. The company has reported a handsome rise in gross profits to Rs 3.15 crores during the 15 months under review as against Rs 1.83 crores over the 12-month period ended March 31, 1973. Its sales too were significantly higher at Rs 24.17 crores during the period under report as against Rs 18.66 crores in the previous year. Its production also improved to Rs 25.86 crores from Rs 18.75 crores. The directors have recommended a dividend of Rs 11 per share for the period under review. But it is payable on an enlarged capital resulting from the one-for-five bonus issue.

In 1972-73 the company paid a dividend of Rs 15 per share. Out of the gross profit, the directors have appropriated Rs 81.16 lakhs to depreciation reserve as against Rs 41.92 lakhs in the previous year while the allocation to development rebate reserve was stepped up from Rs 1.90 lakhs to Rs 7.28 lakhs. The profit before tax amounted to Rs 2.27 crores as compared to Rs 1.39 crores in the previous year and the entire amount has been transferred to the general reserve. The tax liability estimated at Rs 154 lakhs (Rs 95.35 lakhs in the previous year) will be paid from the general reserve. The proposed equity dividend will claim Rs 19.80 lakhs as compared to Rs 22.50 lakhs and it will be paid out of general reserve.

News and Notes

In spite of several constraints such as the shortage of raw materials, power difficulty and credit squeeze, **Hindustan Brown Boveri** has fared extremely well during the first five months of the current year. Its sales during the period May to September 1974 were higher at Rs. 6 crores as compared to Rs. 2.5 crores in the corresponding period of last year and Rs. 15.67 crores in the whole of 1973-74. Although the order position is quite healthy growth of business has slowed down and this is giving considerable anxiety to the company. The take off of arc furnaces at the company's Baroda plant has slackened significantly on account of the credit squeeze. Again the fresh booking of orders for furnaces were negligible as the growth of mini steel plants has declined to a great extent. The company's Faridabad plant which produces electric motors is facing acute shortage of power. Its Howrah and Bombay plants are, however, working satisfactorily.

Despite various obstacles, **Searsole Chemicals** has started partial commencement of commercial production. The over run in the cost of the project is estimated at Rs. 10 lakhs but no additional finance will be required immediately as some of the civil construction work not directly connected with production has been deferred for the time-being. Barring unforeseen circumstances the company hopes to close the current year with a marginal profit. The directors are hopeful of declaring a maiden dividend in the second year of its operations, subject to the approval of the financial institutions.

New Issues

Ramon Engineering, promoted by the Ramon group, will be approaching the capital market some time next month with a public issue of Rs. 15 lakhs—all in equity shares of Rs 10 each at par. The proceeds of the public issue will be utilised for financing partly the company's Rs 80-lakh project in Aurangabad in state of Maharashtra for manufacturing Mopeds of 49.8 cc capacity. The company proposes to manufacture 6000 units in the first year, raising it progressively to 24,000 units by the fourth year of production for which the requisite letter of intent has already been received. The project cost of Rs 80 lakhs will be financed by the share capital of Rs 25 lakhs, central subsidy of Rs 8.20 lakhs, long-term loan from MSFC of Rs 25 lakhs, from SICOM of Rs 15 lakhs and public deposits and loans of Rs 6.80 lakhs.

Agro Cargo Transport Ltd will be entering the capital market on November 4, 1974 with an equity capital issue for Rs 30 lakhs comprising three lakhs equity shares of Rs 10 each. The subscription list which will open on November 4, will close on November 18, but not earlier than November 8. The entire issue of Rs 30 lakhs worth of equity shares has been underwritten. This company is a highly sophisticated and organised transport company to serve the fast developing industrial complex in the Tuticorin area. Having regard to the vast expanding Tuticorin complex with SPIC spear-heading the complex, there is assured growth prospects for the company. SPIC has agreed to appoint Agro Cargo Transport Limited as one of their principal transport contractors. The company has so far acquired 21 trucks. The company will increase its fleet in a phased programme. The total cost of the project is estimated at Rs 125 lakhs.

DIVIDENDS

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Malwa Vanaspati	December 31, 1973	6.0	Nil
New Swadeshi Mills of Ahmedabad	March 31, 1974	8.0	5.0
Same Dividend			
Titaghur Paper	March 31, 1974	7.0	7.0
Anil Hardboards	March 31, 1974	Nil	Nil
Rohtas Industries	March 31, 1974	Nil	Nil
Aluminium Industries	March 31, 1974	Nil	Nil
Seshasayee Paper and Boards	March 31, 1974	12.0	12.0
Reduced Dividend			
New Standard Engineering	March 31, 1974	Nil	11.0
Amalgamated Electricity	March 31, 1974	12.0	14.0

SAYAJI MILLS LIMITED

AHMEDABAD

Statement of Mr Vadilal Lallubhai, Chairman, Sayaji Mills Limited, Ahmedabad to the Shareholders of the Company.

"Reordering Plan Priorities at once to help the masses and save the country"

I would like to take this opportunity to briefly review some of the fundamental features of the Indian economy during the year under review. It is both an axiom and a commonplace to say that any company—however big or small—functions within the frame-work of general economic situation in the country, and is most significantly influenced by it in its working and in its results. It is, therefore, not only relevant and appropriate but also essential to recall the fundamentals of the Indian economic scene.

No year in the history of India since independence has witnessed such grave economic crisis as 1973 and 1974. A runaway inflation, massive shortages of even the essential articles of common consumption, frightful rise in prices, food shortages and serious mal-distribution, stagnation in production—both in industry and agriculture—all these combined to cause a widespread and terrific discontent.

Produce massively mass consumption goods

That the overwhelming majority of our countrymen are extremely poor is proved by the fact that out of the total population of about 600 millions, only 35,31,086 persons are income-taxpayers which is only 0.59% of the population. One can, therefore, easily imagine how many millions, of our countrymen should be going half-starved with the increasing prices of foodgrains and their unavailability too in adequate quantities in many places.

To have sought to build a grand and massive superstructure on a foundation which was extremely week is manifestly contrary to the realistic and pragmatic theories of Gandhiji. With a true insight into what is "real India," Gandhiji placed great stress on food self-sufficiency and a network of village and small industries which together with agriculture would keep the spectre of hunger and unemployment away from the masses.

The right thing to do is to "re-order" our priorities and emphasise the production of carefully-selected articles, which are indispensable for the minimum well-being of the weaker sections of our countrymen. Among such articles would be:—

(1) foodgrains, (2) cooking oil, (3) firewood and kerosene, (4) coarse and medium cloth, (5) match box, (6) sugar and jaggery, (7) soap, (8) house-building materials, bricks, cement, lime, corrugated and asbestos sheets and (9) agricultural implements.

Resources can be found

In other parts of the world, all these essentials of the common man are taken care of, whereas in India some of, these articles badly needed by the poor, such as kerosene, match-box, coarse and medium cloth etc. are being subject to heavy excise duty instead of being subsidised wherever necessary. These items should be manufactured in a massive manner and with maximum expedition, which will naturally call for top priority in the deployment of resources in money, organisation and materials. These resources are by no means impossible to muster, provided the new production of other articles of lesser priority is drastically reduced to the point of most of it being "made only for export." Wherever our manufacturers are below international standards, they should be brought up to international standards by obtaining collaboration from advanced countries. Glaring example is of the motor car.

While a most determined and vigorous drive for the production of these irreducible minimum number of indispensable articles of "mass-consumption" should be immediately launched and pushed forward speedily, in the interim period imports of such articles may also be made, wherever necessary, in public and private sectors.

Once the solid foundation of self-sufficiency in the production of these necessaries of life of the millions cf our countrymen is built up, the Government and leaders of industry should, with equal determination and drive, try to increase the production of certain infrastructual essentials like power, irrigation and transport, and of inputs like fertilisers and seeds for agriculture and raw materials for industry. It is only after these two sections of pivotal importance are taken care of adequately that various other articles of production should be thought of. Thr reorientation of our economic policy on the lines of such reordering of priorities will help reduce our requirements of steel and crude in the future to a quantity substantially below that envisaged in the Fifth Five-Year Plan, which in turn will save for the country so much badly-needed foreign exchange.

In some important countries, the priorities are arranged like—first agriculture, second light industry and last heavy industry. By doin this, they have satisfied th poor people's necessities. The have created contentmen They have seen to it tha there are no price fluctuation in the items of poor man' consumption and still have ha fair high growth rate.

"Parkinsonian" Proliferation

Governmental expenditur must be and can be very substantially reduced by abolishin or drastically curtailing th size of several departments which have expanded in tru "Parkinsonian" style sinc 1947! To cite an example Pandit Jawaharlal Nehru himself spoke in 1963, expressin in the following words, hi deep concern at the way i which the Planning Commission's offices and departments had proliferated, though h himself was its Chairman "A close body of people, wh think and advise the Government, has grown into a hug organisation with all the departments of Government almost duplicated there and each one sending papers to the other"! Equally bloated and superfluous are the "Parkinsonian" set-up of the many departments of Government.

It may be recalled that in 1947, when our country became independent of British rule, the public expenditure was considered too high for a poor country by all the great leaders of those days. Since then, how steep and stupendous has been the Government of India's public expenditure is well known. This could be considerably slashed down, without in any way affecting the welfare of the masses.

If the above measures are put through, with determination and speed, and if we follow austerity for a few years there would be no necessity for deficit financing, and i would reduce public and private expenditure in a substantial way, resulting in th decline of prices of the necessities of the poor, in the stabilisation of the economy and in bringing contentment to the people.

Several of the suggestions

ientioned above were made o the Government on several ccasions. I hope that the ituation which has now developed will bring new thinking n the part of the Government, indications of which re seen in the recent utterances of the leaders. But any halting action is bound to be inadequate and will not achieve the purpose.

Avert Gujarat disaster at any cost

Before I conclude, I must refer to the grave crisis facing us nearer home—in Gujarat itself—as a result of the unprecedented drought conditions prevailing now.

It is believed that in the last one century there was never such a drought. It is feared that the loss of human lives and cattle may be of staggering proportions. Semi-starvation of many thousand is already in evidence. A nation-wide and well-directed relief scheme is an urgent and imperative necessity and must be put into operation soon. It is the duty of all of us to help in a big way to ameliorate the sufferings of those affected by drought. Whatever private effort can do to mitigate hardships of drought-striken areas will, of course, be done and must be done but that is bound to be small when compared to the Governmental efforts, which must be on a massive scale to match the intensity and extensive nature of the drought conditions prevailing. It is painful to hear reports that so far the Government of India's response to appeals for relief to the people in such terrible plight has been halting and half-hearted. I hope that these reports will prove unfounded and that the Government of India would act promptly, fully and effectively and not lag behind.

What a colossal loss

The incredible delay and vacillation which have been allowed to bog down the finalisation and speedy execution of the Narmada project have been causing astounding loss to the entire nation. If only the Narmada project had already been commissioned and was working now, what a blessing would it have been even in a drought year like this! That project would have produced not only enough food for the whole of Gujarat but would have supplied fair quantities to the other needy states of India too! It would have considerably eased the problem of drinking water and subsoil water and would have lessened the shortage of power. The neglect of Narmada project all these years has caused considerable loss not only to the people of Gujarat but also to the country as a whole. Let us hope that it will now be settled soon.

In conclusion, I may state that your Company will continue diligently to serve the interests of our firm and also fulfil its obligation to society in general. Your Company faces the future with a renewed sense of confidence and dedication.

Ahmedabad,
September 28, 1974.

N.B. **This does not purport to be a record of the proceedings of the meeting.**

May be the sun is good for your skin,
but is it good for your suit?

Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour! A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.

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RAMON & DEMM LIMITED

Chairman, Shri H. K. Shah's Speech

Following is the text of the speech by Shri H. K. Shah, Chairman, Ramon & Demm Ltd, at the 10th Annual General Meeting of the Company held at the Indian Merchants Chamber Conference Hall, Bombay, on Friday, 27th September, 1974.

Ladies & Gentlemen:

I have great pleasure in welcoming you to the 10th Annual General Meeting of your Company.

The 10th Annual Report and the audited statement of Accounts for the year ended 31st March. 1974 have been with you for some time and with your permission I propose to take them as read.

Let me begin on a cheerful note. I am happy to inform you that your Company has received the sanction from the Controller of Capital Issues for the Issue of Bonus Shares in the ratio of 4 Bonus Equity Shares for every 5 Equity Shares held.

However, we are meeting at a time when India is passing through a difficult economic situation. Both external and internal factors have contributed to our sad plight. The oil crisis has pushed up the cost of transportation, fertilizers and power. The unprecedented inflation has reduced the purchasing power of the rupee from 100 paise in 1949 to 29 paise in 1974. Hence, prices of consumer and industrial goods have touched a new high. This in turn has resulted in the clamour for increased wages, resulting in further pushing up of costs of all commodities and thereby their prices. The railway strike in May 1974 and its aftermath is an example of this process of prices chasing wages and vice-versa.

Added to this gloomy picture is the fall in agricultural production. In 1973-74 the fall was to the tune of 10 per cent. The forecast for the next year too is not a cheerful one. Side by side industrial growth has been declining and in 1973-74 there has been practically no growth at all.

Shri H. K. Shah

Inflation which has resulted from the rise in money supply on the one hand and shortage of production on the other, has eaten into the vitals of India's economy. Inflation is the enemy of development. Its adverse effects have spread to all sections of society. So far one cannot see any silver lining on the horizon, and it is difficult to visualize a breakthrough.

Naturally the people look to the Government to take the lead in bringing them out of this morass. Recently a few monetary measures have been taken with a view to bringing some stability in prices.

Here I may make a mention of the recent credit squeeze imposed by the Reserve Bank of India. Apparently it is aimed at reducing the money supply and thereby curbing inflation. This measure will, no doubt, reduce the money supply but at the same time it will have an adverse effect on productive activity.

On account of the credit squeeze your Company has to face a reduction in the credit facility as well as the discounting limits with the bank. Naturally, this has affected your Company and the continuing tight money conditions have also created problems not only for your Company but also for the Industry as a whole. Coupled with this, the upward trend in prices of raw materials, consumable stores and other manufacturing expenses continues. There is no indication that the trend will be reversed. The cost of financing has also gone up due to the upward revision of the basic bank rate. Incidentally, this hike in bank rate is likely to push up the cost of all materials, which in turn, would result in high prices of articles manufactured.

The sure remedy, to my mind, for this deep-seated economic malaise is increased production—both agricultural and industrial. The steps taken or contemplated to be taken by the Government should primarily be directed to pave the way for more and more production. It should be ensured that any fiscal measure to be taken does not directly or indirectly affect productive activity in any way.

In its own modest way your Company is pursuing the policy of increased production. In 1973-74, inspite of several adverse circumstances like power cuts, shortage of raw materials, etc the production increased from 754 tonnes to 772 tonnes. This has resulted in increased sales and the turnover was Rs 3.09 crores as compared with Rs 2.79 crores last year.

However, though the turnover has been better this year, there is a marginal decline in profits. This is attr butable to increased wage and increase in the cost c raw material.

This year the performanc is still better. During th first five months of the current year, your Company ha increased the production t Rs 1.84 crores and sales t Rs 1.88 crores. The figure for the corresponding perio for the previous year wer Rs 1.22 crores and Rs 90 lac respectively. The total sale for the current year ma well amount to Rs 4.5 crore and the production rise t about 1,100 tonnes.

Your Company is vigorously pursuing the implementation of the expansion project. The Company's application for the import of machinery has been cleared by th Government of India. Th Foreign Exchange for impor of plant and machinery fo the project will be mad available to the Company a soon as the agreement between the Governments o India and West Germany over the West German Project Aid (KEW Loan) is signed.

Your Company has alread negotiated with the foreign suppliers for the supply o plant and machinery for th expansion project and, where ever necessary, advances towards the purchase price fo the machinery have als been remitted, so as to obtai the benefit of firm prices an delivery dates. Some of th indigenous machineries hav already been received and th remaining are expected to b delivered within a few month Construction of buildings, t accommodate the addition plant and machinery for th project, has reached the fin stage and is expected to b over by the end of this year.

The satisfactory results f the year have been due the contribution made by a staff and employees as team. To them I wish to e press on behalf of my co leagues on the Board a myself our appreciation f their services and hard wo during the past year.

Note: **This does not p port to be a record of proceedings of the meeting.**

RECORDS AND STATISTICS

IDBI—A decade of performance

SOON AFTER its establishment a decade ago, in addition to providing direct assistance to industrial concerns, the Industrial Development Bank of India (IDBI) began to operate the scheme for refinancing of industrial loans and medium-term export credits inherited from the erstwhile Refinance Corporation for Industry Limited. In April 1965, was introduced the Machinery Bills Rediscounting Scheme, designed primarily to assist the machinery manufacturers to market their products on easy credit terms. This scheme which was initially restricted to a few machinery manufacturing industries was thrown open to cover all machinery manufacturing industries in November 1966. In January 1969, the scheme was extended to cover purchaser-users in the public sector such as autonomous bodies like electricity undertakings, transport corporations and government companies. The scheme which was originally intended to help machinery manufacturing industries hit by recession has turned out to be of special assistance to small and medium-sized industries in modernising and expanding their equipment.

IDBI has also widened the scope of the scheme for refinancing of industrial loans. To induce banks and State-level financial institutions to assist small road transport operators, it extended the refinancing facilities to this sector as from November 1968. Recently, with the sanction of the IDA Credit of $25 million to government of India, IDBI introduced a scheme whereby small and medium units can procure from abroad machinery and in special cases, technical services by having recourse to loans from SFCs to be refinanced by IDBI.

In the field of export finance, IDBI has deepened its commitments in the provision of increasing export term credit needs which the commercial banks by themselves could not have met. In August 1967, the scope of the scheme for refinancing of medium-term export credit was enlarged with the object of stimulating the flow of credit to the export sector and to enable Indian exporters of capital and engineering goods to compete more effectively in the international markets. The facility, which was normally extended to exports of capital or engineering goods was also extended to cover finance for the overall cost of construction projects executed by Indian concerns abroad, where the bulk of the construction contracts constitutes equipment, material and services etc., of Indian origin. The facilities under the scheme were also extended to exporters in the public sector. Refinance of export credit is provided at a concessional rate of interest.

In December 1968, a scheme for providing direct finance at concessional rates to exporters of engineering goods, in participation with commercial banks, was introduced. The scope of direct assistance which was available only in the form of supplier's credit financing was enlarged in December 1973, to cover buyer's credit. Under the buyer's credit scheme, IDBI participates with commercial banks in granting credits directly to foreign importers in connection with exports of capital goods from India. IDBI now also provides export finance to exporters who are not industrial concerns.

In addition to financing, IDBI also provides export counselling to exporters and assists them in carrying out negotiations with importers abroad. Thus, in the field of export financing, IDBI has been playing the role of an export bank.

As mentioned in the earlier reports, the IDBIs approach to the provision of direct financial assistance has been governed by its role of an apex institution. Its direct financing operations have been largely undertaken in participation with other institutions, particularly the IFCI, the ICICI, the LIC and the UTI. To maintain close working relationship with these institutions, IDBI initiated in September 1965 the monthly Inter-Institutional Meetings of the Senior Executives of the IFCI, the ICICI, the LIC and subsequently the UTI. At these meetings, the broad policies in the field of project financing are discussed and coordinated and proposals are considered for the provision of financial and technical assistance on a consortium basis. The IDBI has also taken up the coordinating role in deciding the terms of conversion of a part of the loan into equity in terms of the government guidelines issued in June 1971.

The areas for coordination have been gradually extended. Appraisal and supervision of projects assisted on a joint participation basis are being coordinated so as to avoid duplication and undue delays. A uniform basis for the collection and processing of project data for all the central financing institutions as also standardisation of application forms and loan documents is being evolved. IDBI has extended its scope of the coordinating role in the field of export financing also. It has constituted two groups (a) The Consultative Group and (b) The Ad-hoc Working Groups. While the Consultative Group is concerned with the broad problems and policies in regard to export financing, the Ad-hoc Working Groups consider specific export proposals to facilitate quick and coordinated decision-making to avoid undue duplication or delays.

With the increasing activities and growing complexities associated with the financing of industries, IDBI has streamlined its organisational set-up. It has opened regional offices at Delhi, Calcutta and Madras and 12 branch offices in different states. The branch offices are expected to maintain close liaison with the industrial, financing and developmental agencies in the various states and also act as contact points for promotional activities of IDBI. The regional offices are delegated powers to sanction assistance — direct as well as indirect—upto certain limits. Mention may be made in this connection of the liberalisation of procedure in sanctioning refinance to SFCs on their loans upto Rs 2 lakhs — a liberalisation which has enabled the regional offices to provide such refinance on a near-automatic basis.

In order to bring about better regional distribution in industrial development, IDBI started in 1970 schemes of concessional direct and refinance assistance applicable to units in specified backward districts. Under the direct assistance scheme, the concessions include lower rate of interest, longer moratorium and repayment periods, larger subscription to risk capital etc. Refinance assistance is extended to the full extent at a low rate of interest to small and medium units located in specified backward districts. The progress under the concessional assistance schemes is covered in some detail separately in an earlier section.

Having attained a certain degree of maturity in what may be described as its traditional activities, IDBI, in its latter phase of five years launched upon its innovational and promotional activities. If the traditional activities aim at stepping up the rate of capital formation in the industrial sector in the country, the promotional activities aim at achieving its socially desirable distribution both among regions as well as among small and new entrepreneurs. The broad objective is to help bring about regional balance by promoti industries in less develop regions.

The following tables sun marise the progress of tl IDBD during the past decad

TABLE I

IDBI : Trends in Assistance Sanctioned (Gross)—1964-65 to 1973-74 (July-June)

(Amount in crores rupees

	1964-65		1965-66		1966-67		1967-68		1968-69	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amou
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11
1. Direct loans (other than for exports)	8	16·2	23	35·6	19	40·5	13	17·9	16	15·
2. Underwriting and direct subscriptions	29	6·8	23	7·6	10	2·4	10	2·3	11	9·
3. Refinance of industrial loans	124	24·6	182	22·2	145	20·8	117	10·1	336	15·
4. Rediscounting of bills	2	0·1	49	2·2	131	7·1	237	12·4	335	15·
	(2)		(14)		(26)		(54)		(104)	
5. Subscriptions to shares and bonds of financial institutions	8	6·3	6	1·7	9	9·4	7	1·9	3	4·
Total of 1 to 5	171	54·0	283	69·3	314	80·2	384	44·6	701	59·
	(171)		(248)		(209)		(201)		(470)	
6. Export finance										
(*i*) Direct	—	—	—	—	—	—	—	—	2	6·5
(*ii*) Refinance	1	0·5	3	0·8	4	0·8	3	0·3	11	7·5
(*iii*) Foreign line of credit	—	—	—	—	—	—	—	—	—	—
Total of 1 to 6	172	54·6	286	70·1	318	81·0	387	44·9	714	74·0
	(172)		(251)		(213)		(204)		(483)	
7. Guarantees for loans and deferred payments	3	7·8	5	19·3	4	31·9	—	—	1	0·0
8. Export Guarantees	—	—	—	—	—	—	—	—	1	0·

IDBI : Trends in Assistance Sanctioned (Gross)—1962-65 to 1973-74 (July-June)—*continued*

(Amount in crores of rupees)

	1969-70		1970-71		1971-72		1972-73		1973-74		Total since incep tion of IDBI in July '74	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amoun
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
1. Direct loans (other than for exports)	18	11·7	26	43·2	35	56·0	57	59·0	49	60·7	264	355·8
2. Underwriting and direct subscriptions	16	7·9	14	5·7	21	16·6	37	8·2	24	7·2	195	74·5
3. Refinance of industrial loans	992	16·2	1552	26·1	2194	32·2	2517	35·3	2975	46·o	11134	248·8
4. Rediscounting of bills	455	24·1	553	28·5	593	45·3	693	49·8	804	76·3	1963	261·3
	(129)		(152)		(204)		(231)		(292)		(456)	
5. Subscriptions to shares and bonds of financial institutions	1	0·5	6	8·6	4	3·2	5	2·8	5	10·2	22	49·2
Total of 1 to 5	1482	60·3	2151	112·1	2847	153·4	3309	155·1	3857	200·6	13578	989·6
	(1156)		(1750)		(2458)		(2847)		(3345)		(12071)	
6. Export finance												
(*i*) Direct	14	11·2	16	11·3	12	9·3	4	2·7	4	7·9	52	59·0
(*ii*) Refinance	5	1·3	18	14·1	10	3·3	2	0·1	3	2·7	60	31·5
(*iii*) Foreign line of credit	—	—	—	—	—	—	—	—	3	25·0	3	25·0
Total of 1 to 6	1501	72·8	2185	137.5	2869	176·0	3315	157·9	3867	236·3	13693	1105·2
	(1175)		(1784)		(2480)		(2853)		(3355)		(12186)	
7. Guarantees for loans and deferred payments	2	2·6	2	2·6	—	—	1	0·3	1	0·04	19	64·6
8. Export Guarantees	—	—	2	1·1	—	0·1	—	—	—	—	3	1·8

Note : The number of applications in respect of item 4 relates to the number of purchaser-users and in respect of item 5 to the number of financial institutions. The number of manufacturers/sellers who availed of facilities under the Rediscounting scheme is given within brackets in item 4.

TABLE IIA

IDBI : Trends in Assistance Sanctioned (Effective) 1964-65—1969-70

(Amount in crores of Rupees)

	1964-65		1965-66		1966-67		1:67-68		1968-69		1969-70	
	No.	Amount	No.	Amount	No.	Wmount	No.	Amount	No.	Amount	No.	Amount
1. Direct loans (other than for exports)	6	14·8	19	32·4	16	16·9	13	14·6	15	13·2	12	4·8
(*a*) Other than backward districts		14·4		30·5		15·9		13·3		6·3		3·2
(*b*) Backward districts		0·4		1·9		1·0		1·3		6·9		1·7
(Of which at concessional rate)		(—)		(—)		(—)		(—)		(—)		(—)
2. Underwriting and direct subscriptions	26	6·2	20	6·0	8	0·9	9	1·2	10	2·3	15	6·1
(*a*) Other than backward districts		5·2		6·0		0·8		0·9		0·8		2·5
(*b*) Backward districts		1·1		0·02		0·1		0·3		1·5		3·6
(Of which at concessional rate)		(—)		(—)		(—)		(—)		(—)		(—)
3. Refiance of industrial loans	113	20·9	167	19·5	136	19·4	112	9·2	309	13·1	832	13·5
(*a*) At normal and concessional rates (other than to small-scale industries, small road transport operators and units in backward districts)		20·9		19·3		19·2		8·8		10·6		7·8
(*b*) At concessional rates :												
(*i*) Small-scale industries		0·4		0·2		0·2		0·4		2·4		3·3
(*ii*) Small road transport operators		—		—		—		—		0.1		2.2
(*iii*) Backward districts		—		—		—		—		—		—
4. Rediscounting of bills	2 (.2)	0·1	49 (14)	2·2	131 (26)	7·1	237 (54)	12·4	335 (104)	15·5	455 (129)	24·1
5. Subscriptions to shares and bonds of financial institutions	8	6·3	6	1·7	9	9·4	7	1·9	3	4·5	1	0·5
Total of 1 to 5	155 (155)	48·4	261 (226)	618	300 (195)	53·7	378 (195)	39·4	672 (441)	48.5	1315 (989)	49·0
6. Export finance	1	0·2	3	0·7	4	0·5	3	0·3	12	13·6	19	11·8
(*i*) Direct	—	—	—	—	—	—	—	—	2	6·5	14	10·6
(*ii*) Refinance	1	0·2	3	0·7	4	0·5	3	0·3	10	7·1	5	1·2
(*iii*) Foreign line of credit	—	—	—	—	—	—	—	—	—	—	—	—
Total of 1 to 6	156 (156)	48·6	264 (229)	62·5	304 (199)	54·2	381 (198)	39·7	684 (453)	62·1	1334 (1008)	60·8
7. Guarantees for loans and deferred payments	2	5·3	3	10·6	4	8·2	—	—	1	0·1	1	0·1
8 Export Guarantees	—	—	—	—	—	—	—	—	1	0·6	—	—

Note : Number of applications in respect of item 4 relates to the number of purchaser-users and in respect of item 5 to the number of financial institutions. The number of manufacturers/sellers who availed of facilities under the Rediscounting scheme is given within brackets in item 4.

TABLE IIB

IDBI : Trends in Assistance Sanctioned (Effective) : 1973-74 (July-June)

(Amount in crores of rupees)

	1970-71		1971-72		1972-73		1973-74		Total since (inception of IDBI in July 1964	
	No	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Direct loans (other than for exports)	25	35·6	34	50·5	54	43·2	49	58·1	243	284·2
(*a*) Other than backward districts		23·6		26·9		19·4		30·7		184·3
(*b*) Backward districts		12·0		23·6		23·8		27·4		99·9
(Of which at concessional rate)		(—)		(12·0)		(5·8)		(27·1)		(44·9)
2. Underwriting and direct subscriptions	12	4·1	21	14·2	35	7·0	2	7·2	180	55·1
(*a*) Other than backward districts		4·0		8·3		4·1		4·0		36·6
(*b*) Backward districts		0·03		5·9		2·9		3·2		18·5
(Of which at concessional rate)		(—)		(2·0)		(1·1)		(3·1)		(6·2)
3. Refinance of industrial loans	1370	24·0	1684	26·8	2204	30·7	2926	45·1	9853	222·2
(*a*) At normal and concessional rates (other than to small-scale industries, small road transport operators and units in backward disricts)		10·3		9·0		6·3		8·2		120·4
(*b*) At concessional rates :										
(*i*) Small-scale industries		10·7		11·3		13·3		19·5		61·3
(*ii*) Small road transport operators-		2·7		3·0		3·0		2·8		14·0
(*iii*) Backward districts		0·3		3·5		8·1		14·6		26·5
4. Rediscounting of bills	553 (152)	28·5	593 (204)	45·3	693 (231)	49·8	804 (292)	76·3	1963 (456)	261·3
5. Subscriptions to shares and bonds of financial institutions	6	8·6	4	3·2	5	2·8	5	10·2	22	49·2
Total of 1 to 5	1966 (1565)	100·8	2336 (1947)	140·0	2991 (2529)	133·5	3808 (3296)	196·9	12261 (10754)	872·0
6. Export finance	32	23·9	22	22·1	6	2·8	10	35·6	112	111·6
(*i*) Direct	15	11·3	12	19·0	4	2·7	4	7·9	51	58·0
(*ii*) Refinance	17	12·6	10	3·1	2	0·1	3	2·7	58	28·6
(*iii*) Foreign line of credit	—	—	—	—	—	—	3	25·0	3	25·0
Total of 1 to 6	1998 (1597)	124·7	2358 (1969)	162·1	2997 (2535)	136·3	3818 (3306)	232·6	12373 (10866)	983·6
7. Guarantees for loans and deferred payments	2	2·1	—	—	1	0·3	1	0·04	15	26·7
8. Export Guarantees	2	1·1	—	0·1	—	—	—	—	3	1·8

TABLE III

IDBI : Trends in Assistance Utilised 1964-65 to 1973-74 (July-June)

(Amount in crores of rupees)

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Total since inception of IDBI in July 1964
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Direct loans (other than for exports)	—	19·9	20·7	18·0	15·3	10·9	4·9	9·6	25·2	46·8	171·3
(*a*) Other than backward district	—	18·7	20·5	16·1	12·3	9·0	4·1	6·6	16·2	22·4	125·9
(*b*) Backward districts	—	1·2	0·2	1·9	3·0	1·9	0·8	3·0	9·0	24·4	45·4
Of which at concessional rate)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(3·1)	(9·6)	(12·7)
2. Underwriting and direct subscriptions	0·4	5·3	5·2	1·1	1·6	2·2	3·7	1·8	5·0	4·7	31·1
(*a*) Other than backward districts	0·2	4·7	5·0	1·0	0·4	1·5	1·5	1·8	2·9	2·3	21·4
(*b*) Backward Districts	0·2	0·6	0·2	0·1	1·2	0·7	2·5	0·1	2·1	2·4	9.7
(Of which at concessional rate)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(1·0)	(1·1)	(2·1)
3. Refinance of industrial loans	21.2	21.4	19·5	10.8	11·6	12·5	21.2	25 0	25.0	27·7	194-8
(*a*) At normal rates	21·2	21·4	19.5	7.3	4.4	3.5	4.1	1·0	1·5	7·1	91.0
(*b*) At concessional rates (other than to small-scale industries, small road transport operators and units in backward districts)	—	—	—	3·4	5·7	7·0	8·7	8·5	5·8	0·8	39·9
(*c*) At concessional rates											
(*i*) Small-scale industries	—	—	—	0·1	1·5	1·9	7·6	10·0	10·4	12·2	43·7
(*ii*) Small road transport operators	—	—	—	—	—	0·1	0·7	3·0	2·9	0·2	6·9
(*iii*) Backward districts	—	—	—	—	—	—	0·1	1·5	4·4	7·5	13·5
4. Rediscounting of bills	0·1	1·9	6·1	10·6	13·3	20·6	24·3	38·3	42·5	63·7	321·5
5. Subscriptions to shares and bonds of financial institutions	6·3	1·7	7·4	3·9	4·5	0·5	3·8	5·3	2·8	11·6	47·7
Total of 1 to 5	28·0	50·2	58·9	44·4	46·3	46·7	57·9	79·0	100·5	154·5	666·5
6. Export finance	—	0·9	0·4	0·3	2·5	5·6	21·9	15·0	6·1	7·7	60·3
(*i*) Direct	—	—	—	—	—	2·9	12·0	10·2	3·9	6·7	35·7
(*ii*) Refinance	—	0·9	0·4	0·3	2·5	2·7	9·9	4·8	2·2	1·0	25·6
(*iii*) Foreign line of credit	—	—	—	—	—	—	—	—	—	—	—
Total of 1 to 6	28·0	51·1	59·3	44·7	48·7	52·3	79·8	94·0	106·6	162·2	726·8

TABLE IV

IDBI's Direct Assistance to Public Sector Projects

(Amount in lakhs of rupees)

Name of the Company	Nature of project	Product	Location (Dist.-State)	Assistance sanctioned		Assistance utilised
1. Indo-Nippon Precision Bearings Ltd.	New	Ball bearings, tapered roller and cylinderical roller bearings.	Hyderabad (A.P.)	Loan	50·00	50·00
2. Traco Cable Co. Ltd.	Diversification scheme	Power cables paper insulated telecommunication cables.	Ernakulam (Kerala)	Loan	50·00	45·00
3. NGEF Ltd.	Diversification-cum-balancing scheme	Electrical equipments-power transformers, meters, switch gears and switch boards.	Bangalore (Karnataka)	Loan	100·00	100·00
4. Travancore Cochin Chemicals Ltd.	Expansion	Caustic soda, chlorine and sodium sulphide etc.	Ernakulam (Kerala)	Loan	305·00	200·00
5. Nagaland Sugar Mills Co. Ltd.	New	Sugar	Khoima (Nagaland)	Loan	50·00	45·00
6. Punjab Breweries Ltd.	New	Beer	Ludhiana (Punjab)	Loan	35·00	—
7. Chitradurga Copper Co. Ltd.	New	Exploration and processing of copper ore.	Chitradurga (Karnataka)	Loan	50·00	—
8. Assam Petro-chemicals Ltd.	New	Petro-chemical complex based on natural gas for manufacture of urea, formaldehyde, glue and moulding powder.	Lakhimpur (Assam)	Loan	110·00	—
				Underwriting	111·50	—
9. Rajasthan State Tanneries Ltd.	New	Leather foot-wear	Tonk (Rajasthan)	Loan	56·00	—
10. Scooters India Ltd.	New	Manufacture of 2 wheel and 3 wheel scooters	Near Lucknow Uttar Pradesh	Loan	220·00	—
			Total	Loan	1026·00	440·0
				Underwriting	111·50	—

TABLE V

Assistance Sanctioned by the Term-financing Institutions During the Fourth Plan and 1973-74 (April-March)

(Amount in crores of rupees)

	Rupee Loans			Foreign Currency Loans			Understanding & Direct Subscriptions						Total		
							Ordinary and Preference Shares			Debentures					
	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan
IDBI	87·0*	176·1*	505·6*	—	—	—	3·4	8·3	33·2	2·1	—	2·7	92·5	184·4	541·5
	(25·2)	(34·5)	(103·6)										(25·2)	(34·5)	(103·6)
IFCI	37·3	36·2	130·4	4·3	4·3	18·4	3·1	3·4	11·5	1·0	—	1·8	45·7	43·9	162·1
ICICI	13·4	19·8	59·0	29·0	34·7	129·0	3·7	5·1	17·9	3·3	1·6	11·2	49·4	61·1	217·1
IRCI	6·1	7·2	19·9	—	—	—	—	—	—	—	—	—	6·1	7·2	19·9
SFCs*	77·8	104·9	328·0	—	—	—	0·9	0·8	3·5	—	—	—	78·7	105·7	331·5
SIDC**	18·1	21·9	90·4	—	—	—	5·4	4·8	27·5	—	—	0·2	23·5	26·7	118·1
Total	239·7	366·1	1133·3	33·3	39·0	147·4	16·5	22·4	93·6	6·4	1·6	15·9	295·9	429·0	1390·2
UTI@	—	—	—	—	—	—	3·2	3·8	15·2	6·7	4·1	34·6	9·9	7·9	49·8
LIC@†	11·6	17·1	53·1	—	—	—	4·8	4·9	22·3	3·7	3·9	31·0	20·1	25·9	106·4

TABLE VI

Assistance Disbursed by the Term-financing Institutions During the Fourth Plan and 1973-74 (April-March)

(Rupees in crores)

	Rupee Loans			Foreign Currency Loans			Underwriting and Direct Subscriptions						Total		
							Ordinary and Preference Shares			Debentures					
	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan
IDBI	62·4*	113·4*	347·6*	—	—	—	3·5	4·9	15·3	0·8	—	1·7	66·7	118·3	364.6
	(19·1)	(22·8)	(78·7)										(19·1)	(22·8)	(78·7)
IFCI	21·5	27·4	93·4	4·1	3·0	15·0	1·6	1·5	5·1	0·8	—	1·5	28·0	31·9	115.1
ICICI	7·9	13·8	38·7	28·0	26·3	107·7	2·5	1·9	9·3	1·3	1·5	6·7	39·7	43·5	162·4
IRCI	3·5	5·2	9·8	—	—	—	—	—	—	—	—	—	3·5	5·2	9·8
SFCs**	44·1	56·1	194·3	—	—	—	0·6	0·5	2·4	—	—	—	44·7	56·6	196·7
SIDCs**	12·7	15·3	55·9	—	—	—	3·9	3·2	16·3	—	—	0·05	16·6	18·5	72·2
Total	152·1	231·2	739·7	32·1	29·3	122·7	12·1	12·0	48·4	2·9	1·5	10·0	199·2	274·0	920·8
UTI@	—	—	—	—	—	—	1·7	2·3	8·0	4·0	5·5	20·8	5·6	7·8	28·8
LIC@	4·2	10·7	26·0	—	—	—	4·0	3·8	15·9	5·8	5·6	23·1	14·0	20·1	65·0

* Comprising direct loans, refinance to banks and rediscounts. Refinance to SFCs, indicated separately within brackets, is excluded to avoid double counting.

** Data are provisional.

† Including disbursement, if any, on account of guarantees.

@ Data for 1973-74 are provisional and those for 1972-73 are revised.

TABLE VIIA

Statewise Distribution of Total Financial Assistance (Sanctioned) by the IDBI : 1964-65 to 1973-74 (July-June)

(Amount incrores of rupe

State	Financial Assistace Sanctioned										
	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Tot
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(1
1. Andhra Pradesh	0·41	10·10	3·26	2·20	1·25	1·32	4·68	3·17	5·23	5·63	37
2. Assam	0·08	0·04	—	—	—	—	0·06	14·05	2·33	6·50	23
3. Bihar	0·17	0·39	0·71	4·43	1·60	0·74	7·24	7·43	6·37	12·55	41
4. Gujarat	19·35	2·05	5·52	1·69	3·02	4·91	25·87	7·85	8·84	16·00	95
5. Haryana	0·07	0·85	0·67	0·42	0·57	1·55	2·89	3·25	3·58	6·07	19
6. Himachal Pradesh	—	—	—	—	—	—	0·29	0·56	0·27	0·89	2
7. Jammu & Kashmir	—	—	—	—	—	—	0·09	0·22	0·12	0·53	0
8. Karnataka	0·97	0·79	2·53	1·19	4·89	3·31	4·40	19·07	10·45	16·47	64
9. Kerala	0·04	0·60	1·02	1·38	1·33	0·81	1·64	6·30	3·23	8·63	24
10. Madhya Pradesh	2·02	0·71	0·60	0·40	1·70	6·90	7·34	3·83	3·96	3·13	30
11. Maharashtra	8·43	29·70	12·05	9·77	19·87	20·66	31·03	33·62	31·02	52·69	48
12. Manipur	—	—	—	—	—	—	—	0·01	—	—	0·
13. Meghalaya	—	—	—	—	—	—	—	—	—	0·14	0·
14. Nagaland	—	—	—	—	—	—	—	—	0·50	—	0·
15. Orissa	0·26	0·97	0·12	0·20	3·48	0·13	0·10	1·18	1·78	3·58	11·
16. Punjab	0·12	0·16	0·33	0·23	0·17	0·24	0·53	0·92	4·06	3·20	9·
17. Rajasthan	0·11	0·20	1·56	2·54	3·07	0·99	0·43	2·26	2·77	6·12	20·
18. Tamil Nadu	6·03	8·21	7·23	7·89	5·70	6·60	7·96	29·76	19·06	27·62	152·
19. Tripura	—	—	—	—	—	—	—	—	—	—	
20. Uttar Pradesh	0·54	0·78	5·71	0·55	0·95	1·68	4·53	6·63	7·83	7·94	37·
21. West Bengal	3·14	3·74	3·14	4·02	9·63	6·67	13·46	16·29	20·45	17·22	97·
22. Union Territories	0·51	1·51	0·32	0·85	0·42	3·84	3·56	2·47	1·64	2·50	17·

Note : (1) Classification based on location of projects assisted in each State. In a few cases, assistance was sanctioned for expa
sion of existing-units/setting up of new units in more than one State; such assistance has been included in the Sta
where the assistance has gone predominantly. In the case of rediscounts, the classification is based on the locati
of machinery manufacturer/seller.

(2) Figures are exclusive of subscriptions to shares and bonds of financial institutions, Special Credit to Bangladesh a
guarantee assistance.

TABLE VIIB

Statewise Distribution of Total Financial Assistance (Utilised) by the IDBI : 1964-65 to 1973-74(July-June)

(Amount in crores of rupees

State	Financial Assistance Utilised*										
	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Tota
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Andhra Pradesh	1·17	1·34	9·31	2·96	1·60	1·12	3·23	4·40	4·46	5·42	35·
2. Assam	0·20	0·04	—	—	—	—	—	0·12	4·25	8·72	13·
3. Bihar	0·53	0·12	0·92	0·18	2·67	3·04	1·81	3·95	6·89	11·03	31·
4. Gujarat	1·81	14·41	9·08	5·18	3·02	3·78	6·23	5·68	11·01	16·48	74·
5. Haryana	0·04	0·74	0·67	0·53	0·53	0·76	2·47	2·64	3·49	3·32	15·
6. Himachal Pradesh	—	—	—	—	—	—	0·16	0·34	0·43	0·47	1·
7. Jammu & Kashmir	0·30	—	—	—	—	—	0·05	0·20	0·06	0·41	1·
8. Karnataka	1·30	0·88	0·33	3·44	2·63	2·79	3·98	3·64	9·07	12·81	40·
9. Kerala	0·27	0·29	0·81	1·37	0·69	1·69	0·94	2·07	2·93	4·72	15·
10. Madhya Prades,	0·61	2·18	0·56	0·38	1·44	1·72	8·41	5·78	1·89	3·44	26·
11. Maharashtra	8·27	15·11	17·19	17·26	11·01	15·14	26·99	29·83	25·94	35·06	201
12. Macipur	—	—	—	—	—	—	—	—	—	—	
13. Meghalaya	—	—	—	—	—	—	—	—	—	0·07	0·
14. Nagaland	—	—	—	—	—	—	—	—	—	0·45	0·
15. Orissa	0·54	0·59	0·27	0·37	0·46	0·15	0·93	1·76	1·10	2·02	8·
16. Punjab	0·42	0·21	0·21	0·37	0·14	0·10	0·57	0·79	1·71	1·94	6·
17. Rajasthan	0·52	0·25	—	1·56	1·81	2·10	1·03	0·79	0·91	2·59	11·
18. Tamil Nadu	2·48	7·84	7·33	3·67	8·01	8·23	6·46	14·31	16·69	21·85	96·
19. Tripura	—	—	—	—	—	—	—	—	—	—	
20. Uttar Pradesh	0·26	0·57	0·55	2·31	3·43	1·96	1·70	3·97	3·01	6·55	24·
2 . West Bengal	2·56	3·55	4·11	3·08	6·56	7·14	5·98	7·27	7·92	11·19	59·
22. Uoion Territories	0·40	1·32	0·56	0·11	0·27	2·09	5·09	1·16	2·05	2·19	15·
Total	21·68	49·44	51·90	40·77	44·27	51·81	76·03	88·70	103·81	150·73	679·

*Inclusive of disbursements in respect of refinance sanctioned by the Refinance Corporation for Industry Ltd. prior to its merger with the IDBI in Se
tember 1964.

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Rumble of recession

THE SHARP increase in prices witnessed in this country during the past one year has brought about a structural change in consumer expenditure. The thrust of inflation has been severe in the case of food-rains and other essential items of household expenditure. Consequently, increased hare of income has been diverted to the essentials of life, thus bringing about a signi-icant shrinkage in the discretionary component of the total purchasing power of the eople. This has resulted in slackness of demand for a large variety of industrial roducts, and now it is feared recessionary tendencies would engulf a sizeable section of he organized industry.

The first to come within the orbit of the recession is the cotton textile industry which enjoys the privilege of being the largest industry in our country. At a time when necessities of life claim a big share of the purchasing power of a household, it is but natural to postpone purchases which are not urgent. This has been seen in a pronounced manner in the case of cotton textiles. Stocks of cotton and yarn have piled up at the mills leading to a forced reduction in production. Some of the cotton textile mills have been obliged to restrict the scope of their activities. Those mills which were operating three shifts a day have curtailed them to two only. In the process, thousands of workers have been laid off. Surely this is likely to strain labour-management relations.

Reports circulated by newspapers that the mills had agreed to reduce prices from 10 to 40 per cent have caused considerable confusion. No one knows which prices would go down by 40 per cent and which by 10 per cent only. But great mischief has been done by these reports because both at the wholesalers' and the retailers' levels there is great reluctance to accept fresh stocks from the mills. Also, at the retailers' level the impact of the proposed reduction in prices has not been felt so far, and this seems to be due to the fact that the retailers are in no mood to scale down prices on purchases made earlier. The cotton textile industry on its part is extremely bitter about the credit squeeze which has hurt its capacity to run its affairs in an organized fashion. Surely the inventories of accumulated cloth will need to be reduced even at a loss if there is no change in the credit policy of the banks.

And similar conditions prevail in most of the engineering industries also where sales have had a precipitate fall in recent months. In engineering industries the indigenous demand has fallen not only because of indigenous slackness but also due to world-wide recession. The economists of the First National Bank, New York, have in a recent assessment of the US economy come to the conclusion that the current recession will be much longer and deeper than had been anticipated earlier. If the USA sneezes, western Europe develops a cough while a developing country like ours suffers from pneumonia. Consequently, the downturn in business activity in the USA and western Europe is bound to further hurt our export potential. Also, some of the engineering units in our country are in the grip of such a severe financial strain that they have no option but to close down. The inevitable outcome of this trend will be not only a reduction in production but also unemployment on an extensive scale. It is essential to look at the problems of the organized industry in a realistic manner instead of blaming it for something over which it has no control.

The anti-inflationary measures taken by the government some time back were welcomed by the people because they held out the hope of relief from the oppression of inflationary tendencies. At present the anti-inflationary measures have not gathered momentum so as to produce a large-scale deflation because prices of essential commodities continue to rule at a high level even today. It is the spectre of reduced production accompanied by increasing unemployment which threatens to disrupt the economy. It is necessary to fight inflation but it will be dangerous to bring about a situation where reduced production is able to sustain inflation instead of breaking its back.

Already the saving capacity of the households has dropped significantly. The aggregate savings in the economy have remained stagnant for the last two to three years. It implies that the schemes for the expansion of the economy have received a low priority. On top of that, unutilized capacity on a large scale has kept production in many units at an exceedingly low level. The key to the current situation lies in increased production through an ever-rising utilization of capacity which is available and in taking a realistic view of the credit needs of industry. The financial institutions are today starved of funds for assisting new ventures. The gloom which has been cast over the economy by the rumble of recession will cause considerable damage to the economy if the legitimate needs of industry for funds are not met.

Iron ore offers new opportunities

THE DEVELOPMENT of the vast iron ore resources of our country has been taking place in the past few years in such a way that the requirements of the steel units in the public and private sectors can be met by the iron ore mines in Bihar, Madhya Pradesh and Orissa while the export needs are satisfied by exploiting the rich deposits of Bailadilla very near the deep-sea port of Visakhapatnam on the northern side of the Eastern Ghats and those of Goa and Bellary-Hospet. The increasing requirements of the major steel plants can be easily satisfied by developing the existing mines in the eastern region. For quite some time however the quantum of exports will be considerably in excess of the intake of the steel plants. This is because the capacity of these units may not exceed 15 million tonnes of ingots by the end of the fifth Plan. The quantity, in terms of ore, for utilising this capacity may not therefore be more than 15 million tonnes even under the most favourable circumstances.

The export trade in this mineral, however, has assumed huge dimensions latterly and in spite of the constraints arising out of transport bottlenecks and delays in mechanisation of the mines, it is estimated that aggregate exports will be 23-25 million tonnes in 1974-75. The Minerals and Metals Trading Corporation (MMTC) will be handling 15 million tonnes while exports from Goa region may be 8-10 million tonnes. The value of exports can be easily Rs 130 crores if not more. The target for the fifth Plan has been fixed at 35 million tonnes and the value realised is expected to be such that iron ore will rank next in importance only to gunnies.

Recent developments on the iron ore front however have far-reaching significance and the target will have to be raised substantially. What is more, the foreign exchange earnings can be of much larger dimensions than visualised a few years back. The Japanese steel units have been mainly responsible for the development of export trade in iron ore, the exploitation of the Kiriburu mines in Orissa and Bailadilla mines in Madhya Pradesh being carried out with their assistance. While the former are now catering for the requirements of the public sector plants, Bailadilla ore is exported mainly to Japan through Visakhapatnam. After the outer harbour in this centre has been completed. it will be possible to step up exports substantially to Japan.

Goa will continue to be an important supplier to Japan and the western countries. Madras too will be a big outlet for Hospet ore as the Bharathi docks are proposed to be completely mechanised with ore handling facilities at the rate 8,000 tonnes per hour. When Visakhapa nam and Madras outer harbours becon fully operational it will be possible f giant bulk carriers to berth alongside ar minimise to a great extent expenditure transporting ore to Japan and oth countries.

The recent developments are of cour of a more exciting nature and Karnatak particularly stands to benefit considerab if three new projects take concrete shap Already considerable work has been do in developing the Dhonimalai deposit It has been scheduled that the Madr port should handle one million tonnes ore from this area in the not dista future. But it is Kudremukh that bids fa to overshadow all other mining regio as a foreign exchange earner. The agre ment concluded with Iran recently pr vides for special assistance of $300 mi lion for developing Kudremukh deposi and exporting ore in pelletised for through Mangalore to Iran. At first was expected that 2½ million tonnes wou be exported from this region annuall It has now been decided that there shou be a trebling of the quantum of export 7½ million tonnes. Though considerab preliminary work has been already do it has still to be decided how su huge quantities should be moved fro the mines to the port. The mod lities of mining and transport have y to be decided. But there is no doubt th Mangalore will have to be developed the lines of Visakhapatnam and Madr as this port may also have to handle lar imports of bulk cargo like Visakhapatna when the Hospet steel plant takes shap The Kudremukh deposits are sizeable a North Karnataka may become hig developed industrially with the completi of the railway line linking Mangalore w the hinterland and the Hospet area b coming more industrialised.

The processing of iron ore, howev will have to be done on entirely differ lines for securing a higher unit value respect of ore exports. The new contr concluded by Chowgules of Goa w Japan for shipping 19 million tonnes ore in pelletised form over a period of years, having a value of Rs 400 cro marks a new beginning with far-reach nsequences. The pelletisation of ore to be effected with equipment partly ported from Hungary and the value alised will be three times that is now be-g obtained on unprocessed ore. The elletisation will be helpful in making etter use of the space of costly bulk car-iers and minimising freight charges. he processed ore can also be fed directly nto the blast furnaces whose capacity will e more effectively used. The ore shipments to Japan under this contract will e from Karnataka, the plant being loca-ed at Chikmagalore. There are pro-osals for processing also Bailadila ore imilarly. It can be expected that Kudremukh too will be adopting the same approach and by the end of the fifth Plan there will be a more than doubling of the present rate of exports and similar increase also in the unit value. In that event, the value of shipments should be easily Rs 400 crores or more.

Apart from the immense possibilities for increasing the quantum of export and improving value through processing, in recent months attempts have been made by the main ore exporting countries such as India, Australia and Brazil to evolve a formula for pricing iron ore on the basis of prices realised for steel. It may not be easy to find an acceptable formula as Japan and other countries may resist any move aimed at forming a cartel of ore exporting nations. But the main steel producing countries which are dependent on iron ore exports have been agreeable to increase export prices for ore because of the devaluation of the US dollar and increase in the cost of mining. There has already been upward adjustment in prices for ore supplied under the long term contract by India to Japan by 20 per cent and under the annual contract by 40 per cent. There was some difficulty in making Japan agree to the revision of prices as the agreements did not contain escalation clauses.

It is now, however, recognised that ore shipments cannot continue to be as cheap as they were in earlier years and countries such as India will have to be accorded a better deal. The meetings of ore exporting nations at Geneva may be helpful in bringing about a better understanding of pricing problems. But the desired automatic adjustments may take place only over a period after hard bargaining. Whatever may be the outcome of these new efforts, the government of India has to make full use of the new opportunities for stepping up the quantum of exports and securing a higher unit value. The shipments will have to be mainly in processed form and complaints about delays in loading bulk carriers at the major ports will have to be eliminated. There will necessarily have to be a new blue-print for developing Mangalore into a big port within a short period, as it may be a rival soon to Marmagao. The latter port also is being completely modernised.

While port facilities can be modernised and special berths constructed for handling shipments expeditiously, it is equally important that rail transport facilities should be fully developed along with mining facilities and there is proper coordination of the different departments at every stage. It has been complained that the mechanisation of mines at Bailadila has not made the desired progress, and it has not also been possible to increase ore shipments to Japan because of inadequate handling facilities at Visakhapatnam. With the completion of the outer harbour this handicap may be overcome. But ore shipments can be increased only if there is mining in larger quantities at Bailadila and there is electrification of the railways without delay.

Likewise, there should be no bottleneck in mining in the Hospet region. The railways however are unable to cope with the traffic while loading at Madras is inordinately slow. After the mechanisation programme has been completed in the next two years the difficulties in this regard will be out of the way and the railways will have to meet the challenge. But it is in the Mangalore area that the new constraints will have to be removed by making good use of the assistance provided by Iran. The southern region thus stands to benefit immensely by the development of iron ore mines, railway transport facilities and the improvement of three major ports. There should be no let up in the implementation of new programmes if full advantage is to be derived by the region and the country out of the new opportunities.

Invoice manipulation?

When Mr K. R. Ganesh, the union minister of state for Finance, accused the tea and jute industries of indulging in under-invoicing, in his press conference in Calcutta on September 28, he could have hardly imagined that his allegation would be so promptly, effectively and authoritatively refuted. Mr Ganesh's charge was not a vague or general one but specifically directed against the country's two largest earners of foreign exchange. He was reported to have said that the jute and tea industries together accounted for a declared foreign exchange earning of a little over Rs 400 crores while these could be as high as Rs 1,000 crores. According to the minister, the excess amount of Rs 600 crores was being drained out of the country every year and, compared to this, the money handled by smugglers was relatively small. The minister remarked that the anti-smuggling operations had attracted the people's attention because smuggling was "more romantic" and he disclosed that though preventive detention was currently being applied against smugglers, the central government had no immediate plan to detain the invoicing offenders under the Maintenance of Internal Security Act (MISA).

It is, indeed, strange that Mr Ganesh did not take the elementary precaution of getting his facts and figures checked up before making his allegation. He could have consulted the Jute Commissioner and the Tea Board whose offices are situated in Calcutta, before making his charges against these industries. He should have also realised that these allegations were, in fact, more a reflection on the government of India particularly on the ministries of Finance and Commerce than on these industries. But no one seems to have asked the minister at his press conference why, if the foreign exchange was being drained so regularly and to such an extent owing to the malpractices in the tea and jute industries, New Delhi has not been prompt in taking the necessary action.

The rejoinder given by the tea and

jute industries reveals how badly the minister has been misinformed. The Consultative Committee of Plantation Associations has pointed out that the minister's allegations have caused the tea industry "considerable pain and disappointment". If the minister's statement were true the tea industry's export earnings should have been higher by about 150 per cent over the present level of about Rs 150 or Rs 160 crores per year! The committee has explained that the London auctions provide the most important outlet for the sale of the export tea of India and of all other producing countries and that if the Indian tea industry is really indulging in massive under-invoicing of consignment tea, the artificially-depressed prices at the London auctions, resulting from such practices, will affect other tea producers also and will evoke protests from them. But no such protests have been ever made.

Further, lately, more foreign buyers have been picking up tea at the Indian auction centres themselves. For example, Russia has been the biggest buyer of Darjeeling tea. About 33.41 per cent of India's export tea was sold to the UK buyers in 1971-72, accounting for Rs 55.39 crores but in 1972-73 the respective figures were 26.34 per cent and Rs 40.94 crores. These indicate a declining trend in the volume of consignment tea shipped from India to London auctions. The tea industry's import requirements have been negligible and therefore there is hardly any scope for over-invoicing imports.

The committee has observed that it is not going "to yield first place to any other industry in the assiduity and earnestness of its efforts to contribute to India's export trade at a time when the need for greater foreign exchange earnings is uppermost". India's tea industry has been recently trying to evolve an agreement with other tea producing countries with a view to regulating production and getting better prices. It seems therefore a pity that a minister of the government of India should publicly and quite unfairly accuse our tea industry of indulging in unfair practices.

The Indian Jute Mills Association has also strongly refuted Mr Ganesh's statement. It has explained that export contracts in jute goods concluded by manufacturer-exporters and shippers are registered with the Export Contracts Registration Committee under the direct control and supervision of the Jute Commissioner. "This Committee", says the IJMA, "meticulously checks the documents to satisfy itself that the prices charged for particular constructions and qualities of fabrics are not out of line with the ruling prices material to each contract."

In all the jute products, the pricing formula is operated in such a way as to prevent under invoicing. For instance, the price of carpet backing is fixed by the government from time to time based on the situation prevailing in the world tufted carpet backing industry. The buyers in foreign countries are regularly kept informed of the changes in price. The foreign demand for sacking has shrunk sharply in recent years and the bulk of its production is used within India.

Moreover, as the IJMA says, "the cent per cent buyers' market, which sacking export is, could never be conducive to invoice manipulation". Under-invoicing in hessian also is hardly possible not only because of the check exercised by the Export Contracts Registration Committee but also by the fact that about 53 per cent of these exports is absorbed by the rupee payment countries, mainly by the USSR. Besides, the fact the jute goods are subjected to export duty at high rates also acts as a deterrent to mills from resorting to under-invoicing..

Mr Ganesh does not seem to remember that it was only recently that the government of India tightened the provisions of the Foreign Exchange Regulation Act with a view to stopping under-invoicing, over-invoicing and other malpractices in foreign trade. The Joint Committee of Parliament which was set up to examine the provisions of the Foreign Exchange Act heard evidence from the representatives of industry and trade as well as those of the Reserve Bank, the Finance ministry, and the Commerce ministry about the manner in whic prices were fixed for the exported good and the payments were received and als about various other aspects relating to th leakage of foreign exchange.

The senior officers of the economi ministries were closely questioned by th Joint Committee regarding the measure that were being adopted by their respec tive departments to ensure that industrie did not resort to malpractices in the cours of the export and import trade.

The Foreign Exchange Act accordingly was modified in many directions so as to plug all loophole For example, Section 18 of the Ac says "that the central government ma by notification in the official gazett prohibit the taking or sending out b land, sea or air of all goods or of an goods or class of goods specified in th notification from India directly or indirectly to any place so specified unless th exporter furnishes to the prescribed authority a declaration in the prescribed for supported by such evidence as may b prescribed or so specified and true i all material particulars; which, amon others, shall include the amount representing:

(i) the full export value of the good or (ii) if the full export value of the goo is not ascertainable at the time of expor the value which the exporter, having r gard to the prevailing market condition expects to receive on the sale of the goo in the overseas market, and affirms the said declaration that the full expo value of the goods (whether ascertainab at the time of export or not) has been, will within the prescribed period be, pa in the prescribed manner".

There are also several other provisio in the Act to prevent the leakage of f eign exchange. Moreover, the Act h enhanced the penalties for violating provisions and made them more drast It may be that the Act has not been a to eliminate completely the drain foreign exchange in different forms b surely, it has made it extremely diffic for any industry or individual to res to practices like over-invoicing a under-invoicing.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Credit Squeeze • Concessional Railway Freight for Exports • Atomic Power Generation

THE INDICATION given by the new union minister for Finance, Mr C. Subramaniam, while addressing the Consultative Committee of the Chambers of Commerce of Madras last week and later on reiterated in a briefing to pressmen in New Delhi after his meetings with the heads of the term-lending financial institutions and the chairmen of the nationalised banks, that there was no likelihood of any significant relaxation in the credit squeeze has not caused any surprise in industrial circles. A general loosening of the credit screw obviously could not be expected in view of the government's efforts at containing deficit financing and also against the background of the salutary effect the restrictions on credit over the last 12 months, particularly since July, have had on the price level in the country—of course, in conjunction with the anti-smuggling operations and the anti-unaccounted money campaign launched in September. All these three steps undoubtedly have reduced considerably the availability of funds for hoarding purposes. As a result, the availability of goods in the market has improved somewhat.

selective relaxation

But surely there is a good case for a selective relaxation of credit restrictions, for if the price level is to be stabilised, care has to be taken that credit difficulties do not hinder production, especially in the area of mass consumption goods and other priority sectors of the economy. As argued a couple of weeks ago in this column, unless production is stepped up, particularly of mass consumption items, a reversal of the recent downtrend in the prices of a number of essential commodities cannot be ruled out. The present recession in prices cannot be sustained long by dehoarded stocks which are bound to be picked up by consumers in not very distant future.

Incidentally, this is exactly the reason why industry has been clamouring for a liberal production credit policy, which erroneously has been construed as a plea for a general reversal of the tight money programme. In spite of the fact that the government as well as the Reserve Bank of India have been claiming that the last 12 months' credit squeeze is not being allowed to thwart production efforts, instances are not wanting of output in other industries being hampered by the tight credit situation. The worst effected are the small and medium-scale sectors of our industrial economy which account for over 50 per cent of the total production of mass consumption goods.

new policy

It is yet to be seen how far the new credit policy, which is to be announced this week, will take cognizance of the imperative of raising production in several spheres. A minor relaxation of the policy in respect of this credit, of course, will not do in view of the fact that the costs of both the material and human inputs of industry have grown considerably as a sequel to the nearly 31 per cent increase in the general price level over the past one year.

It, however, is indeed heartening that the government has now included the manufacture of mass consumption items in the priority list along with agriculture and the manufacture of farm inputs, various industrial raw materials and intermediates and exportable goods. In the case of mass consumption items and agricultural commodities, the credit requirements are proposed to be met not only for production purposes but also for distribution.

The other major observation of Mr Subramaniam in his address to the Consultative Committee of the Chambers of Commerce of Madras to the effect that "We are a long way away from recession", of course, can be easily questioned. The first signs of recession in our economy are already there. Not only a number of private sector industrial units are feeling the pinch of the decline in demand, but also the managements of several public sector undertakings have recently complained of fall in orders. The machine tools industry as well as the heavy machinery manufacture sector are the glaring examples of this. Then there are the well-known woes of the textile industry. The plight of the light engineering industry is not much different. If the main criterion of recession is an all-round fall in price, the recession, indeed, cannot be expected in the near future, for the mounting costs due to various factors — global inflation, government's taxation policy, shortages of raw materials, etc. — will keep prices buoyed up. In fact, inflation today co-exists with a recession in demand for commodities the consumption or purchases of which can be deferred. This is the case not with our country alone. It is a global phenomenon.

The task before the government at present is not simple and straight. The situation to be handled is a very complicated one. The central government will have to draw upon its ingenuity to the maximum for striking a balance between the imperatives of stabilising the price level and warding off a general recession in industry. Of course, recessionary trends in some industries cannot be ruled out. A thorough examination of the situation is urgently called for so that production priorities and developmental programmes can be realistically fixed and optimum utilisation can be effected of the scarce financial resources. The term-lending financial institutions are understood to be under great strain at present. A thorough and realistic examination of the needs of the economy should be helpful in revising the guidelines for the operations of the term-lending financial institutions.

* *

The current scheme of granting rebate in railway freight for 153 items of export, it is understood, may undergo a drastic change if the union ministry of Commerce insists on its continuance. Faced with a difficult financial situation, the Railway Board, however, has issued instructions for the withdrawal of this rebate with effect from November 1, in terms of the notice given by the Railway minister, Mr L.N. Mishra, earlier this year.

Introduced in 1958, the scheme attained its present form in the middle of the sixties when exports of non-traditional items were being developed. With the transformation that has taken place on the export front during the last two years, the scheme in its current form is said to be being availed of by the exporters of only such items as ferro-manganese, bicycles, steel pipes and tubes, brass ware, wooden articles and electrical wires and cables. The other items covered by the scheme are understood to be moving on their own as their exporters have not shown much interest for several years now in taking advantage of the rebate. Two factors are understood to be responsible for this. First, the rebate is just a minor fraction of the value of exportable items. Secondly, the exporters do not find it worthwhile to go in for the cumbersome procedure involved in claiming rebate under the scheme. Even in the case of the items whose exporters are availing of the rebate, the benefit is said to be just marginal.

The total rebate granted for exports of all the 153 items in 1972-73 amounted to about Rs 53 lakhs. For the current year, the assessment has been that the rebate would aggregate to not more than Rs 70 lakhs. This figure apparently is a small fraction of the earnings from the concerned export items.

withdrawal of rebate

The decision to withdraw the rebate appears to have created some confusion insofar as the exports of iron ore and manganese ore are concerned. Inquiries reveal that these two items are not at all affected by the Railway Board's decision as their exporters are not entitled to any rebate. The concession to them is in the form of including the two items in a low classification of freight rates. Since no change has been proposed as yet in this classification, the exporters of iron and manganese ores will continue to enjoy concessional freight, which is costing the railways nearly Rs 3 crores per annum.

The Railway Board, of course, may take up this issue in the near future as the unit values of both iron and managanese ores have gone up in the recent past and are likely to go up further if an understanding is reached between the major iron ore exporting countries to relate particularly the prices of iron ore to the rise in the international prices of steel.

The possibility of a drastic revision of the present scheme of granting rebate in railway freight for exportable items, however, has emerged from a communication addressed by the minister of Commerce, Prof. D.P. Chattopadhyaya, to the Railway minister, Mr L.N. Mishra, soon after the former's return from a visit to Brazil and New York last week. The Commerce minister is understood to have suggested that the matter may be examined by an inter-ministerial committee and till the findings of this committee are available, the Railway Board should hold in abeyance its decision to withdraw the rebate scheme. The Commerce minister's plea is said to be based on two factors. First, the ministry of Commerce feels that a sudden withdrawal of the scheme will affect export efforts at a time when exporters are being hard pressed by the continuing rise in ocean freight. Secondly, the withdrawal of the rebate may add to the difficulties of exporters who are experiencing hardship because of credit squeeze. The primary concern of the Commerce ministry, however, appears to be in respect of exports of iron and manganese ores and the abovementioned six items the exporters of which have been taking advantage of the rebate scheme.

* *

The nuclear power programme envisaged in the profile finalised by late Dr Vikram Sarabhai towards the close of the sixties, it is learnt, has considerably slipped. It was envisaged in this profile that we would be having by 1979 nuclear power generation capacity, over and above that of the first atomic power station at Tarapore, in Maharashtra, to the extent of about 2340 MWe. The current assessment is that not more than 870 MWe capacity would be added by early 1979.

The additional capacity in terms of the profile was to accrue from two units of 200 MWe each at the Rajasthan atomic power project, two units of 235 MWe at Kalpakkam, near Madras, two units of 235 MWe at Narora, in Uttar Pradesh, and 500 MWe capacity at each of the two other power stations to be added after the Narora project. It was envisaged that the construction of the above projects would be completed as follows: (1) Rajasthan project phase-I 1971; (ii) Rajasthan project phase-II 1973; (iii) Kalpakkam project phase-I 1974; (iv) Kalpakkam project phase-II 1975; the fifth atomic power project 1978, and the sixth plant 1979.

The Rajasthan project phase-I has already been completed. The implementation of all the other schemes, however, is trailing far behind the schedule contained in profile. The Rajasthan project phase-II is now expected to be completed in 1976. It will attain criticality a few months later. The first phase of the Kalpakkam project is expected to be completed only by the middle of 1977 and its second phase by early 1976. The other three projects are now envisaged to be commissioned in the early eighties. The first phase of the Narora project may be completed in 1981 and its second phase in 1982. The fifth and the sixth atomic power stations will come on stream some time after 1982. These two projects have yet to be approved by the Planning Commission.

The setback to the atomic power generation programme is understood to have been caused by the following factors:

(i) inability of the industrial infrastructure in the country to cope with a faster programme;

(ii) inadequacy of grids to receive large blocks of power and to tolerate outages of large units which may continue for some more years;

(iii) need to redesign reactor units to make them more efficient and economical and to adapt them to suit the capabilities of Indian manufacturers;

(iv) difficulties posed by our not being a signatory of the Nuclear Non-proliferation Treaty; and

(v) difficult resources position.

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POINTS OF VIEW

Banks and their big business clientele

B. Ramachandra Rao

FOR THE last few months 50 large big borrowal accounts are in the forefront. As on July 18, 1969, the outstanding advances to these parties by the 14 nationalised banks were Rs 399.74 crores and year after year the figure was going up. As on June 29, 1973, it stood at Rs 511.94 crores out of the total credit of Rs 3,480.80 crores of the public sector banks constituting 14.70 per cent. This assistance to the big borrowers came in for severe criticism in Parliament.

It is in this context, the Reserve Bank of India has now advised banks to exercise utmost caution to ensure that the amounts drawn by the borrowers are the minimum required for their immediate needs and that such amounts are used for the purposes for which they are drawn. It has suggested that to begin with banks may make immediate arrangements to watch the accounts of the fifty biggest borrowers in each bank. Certain guidelines have been laid down by the Reserve Bank of India to watch the big accounts on the basis of suggestions as under:

scrutiny of account

Larger debits in the accounts should be scrutinized so as to ascertain whether, prima facie, they relate to legitimate purposes. In case of doubt, enquiries may be made as to the exact purpose of the payment.

The maximum and minimum outstanding last balances in the account in each of the three years may be ascertained in order to find out the dependence of the borrower of a long term nature on bank finance as also to see whether the increased resort to bank credit is commensurate with the production needs.

Credit turnover in the borrower's account during each quarter over the last two years and hereafter may be compared with the sales realisation for the corresponding period to verify whether all sales realisations are passed through the bank.

The bank should insist on submission of periodical stock statements by the borrower at least once a month. Occasionally, these statements may be verified with the books of the borrowers and compared with the relevant balance sheet figures. If there are any large variations, the reasons should be ascertained. If, on verification with the books of account, it is found that there has been a large decline in stocks after the date of any statement, it should be checked whether drawings in the accounts were reduced or trade debtors had gone up correspondingly.

The relationship of inventory levels to sales may be studied and compared with the past trends.

The following data should be obtained and studied:

		1972	1973	1974
Inventories:				
Production	: Estimated...			
	: Actual ...			
Sales	: Estimated...			
	: Actual ...			

The projections for 1974 should be obtained monthwise or quarterwise and then verified with the actual performance: wide variations would require clarifications. To the extent feasible, the dates regarding inventories of one unit may be broadly compared with those of other similar units financed by the bank. The bank should obtain cash budgets and the statement of assets and liabilities on quarterly or lesser intervals and study them. It should obtain a statement of major items of debtors and creditors periodically and ascertain whether sundry debtors relate to credit sales. If not, the nature of the debtors may be gone into. Similarly, they may ascertain the nature of sundry creditors.

The bank should review from time to time the loans and advances given by the borrower to others as also the investments made by him outside his business and, if necessary, insist upon these loans/investments being liquidated. as early as feasible, to reduce his reliance on bank borrowings.

The bank should check how far the stipulations made by it or the Reserve Bank with regard to the borrowers falling within the purview of the Credit Authorisation Scheme or otherwise, are being complied with by the borrowers.

Where the borrower is relying excessively on borrowed funds, the bank should ascertain the efforts made by him to augment his own resources, either by way of issue of fresh capital or by way of plough back of profits or in any other manner, so as to reduce his dependence on bank finance.

blanket ban

Even before the banks in the country can study the instructions of the Reserve Bank of India to control the big borrowers, it appears that some banks in Tamil Nadu have frozen the credit limits of the largest 50 bank borrowers at the drawal levels obtaining as on July 12, 1974 (Friday). This blanket order is likely to put the big industries to considerable hardship. Borrowers who have already drawn their full limits before July 12, 1974 will be benefited, but those who have been using their limits sparingly will suffer for several weeks for want of working funds.

By this abrupt freezing of limits at the drawal level as on July 12, 1974, the big industries may not be able to pay their bills, cheques issued by them earlier may bounce and even dividend warrants issued against drawal arrangements may have to be dishonoured. In the case of sugar factories, credit has already been denied to them against stocks in the factory that have not yet been released for ration or free market consumption with the present squeeze, the sugar factories will not be able to pay any monies to the cane growers. For the big borrowers, it is very difficult to get funds from alternate sources as most of them have already collected the largest amount of deposits allowed by the Reserve Bank and would not be able to tap this source any more.

It is felt that with this big squeeze on the big borrowers, production would come to a halt unless the pattern of squeeze is changed and is made selective. Even the squeeze that was imposed on the banks during the recent busy season has hampered productive activity considerably, as banks had to deny credit to everybody due to paucity of funds. But this time the Reserve Bank of India appears to be very firm in getting its directives implemented. It was having periodic discussions with bankers individually and collectively during the past few weeks and has been impressing on them the need to ensure return flow of funds given during the last busy season. As a sequel to this, banks have been insisting on their trade and industrial borrowers to pay back whatever they have borrowed during the last few months. State Bank of India is already limiting its lendings to all non-priority sector accounts to outstandings as on October last plus five per cent.

By insisting on a continuous process the manufacturing industries and others to reduce their outstandings, the government and the Reserve Bank are endeavouring to bring about recession triggered by credit scarcity. The government directors on the boards of the nationalised banks have already been advised to exercise a strict credit control on all big proposals that come to the board for sanction.

packing credit

In order to have strict control over the export packing credit scheme, the Reserve Bank of India has brought packing credit also within the scope of prior authorisation under the Credit Authorisation Scheme. Even advances made against duty drawback, cash assistance etc. at the pre-shipment stage require now prior authorisation. Banks are told that credit limits to a borrower should be sanctioned separately for his domestic business and for export purposes.

The Reserve Bank's prior authorisation is required for pre-shipment export credit in cases where the total credit limits fall within the purview of the Credit Authorisation Scheme.

Export packing credits aggregating five lakhs of rupees to a single borrower from one bank, are however exempted from the requirement of prior authorisation, although these limits (even though below Rs 5 lakhs) are required to be reported to the Reserve Bank of India immediately.

In the case of existing export packing credit limits exceeding Rs 25 lakhs which have already been reported to the Reserve Bank of India and which were operative as at the beginning of July 1974, banks should apply to the Reserve Bank, before August 15, for its authorisation for continuance of such facility, together with a note indicating the basis on which such facilities over and above other cash credit or overdraft facilities are considered need-based.

Export packing limits below Rs 25 lakhs, which were operative as on July 1, and reported to the Reserve Bank of India, may be continued.

It has also been stated that while the maximum period up to which the concessional rate of interest (not higher than nine per cent per year) would apply is 90 days, banks should allow packing credits only for such periods as may be necessary.

higher charge

In cases where packing credits are availed of but the exports do not materialise banks have been asked to charge a suitable rate higher than the normal rate of interest from the date of the advance irrespective of the reason for exports not materialising.

At the same time the Reserve Bank of India has emphasised that banks "may freely" provide export packing credits to meet the genuine requirements of exporters within the overall credit limits authorised by the Reserve Bank of India for general purposes. In addition, banks may, in urgent cases, extend credit for meeting temporary requirements of exporters. The total temporary advances made under this relaxation for domestic and export purposes should not however exceed Rs 25 lakhs for a period up to three months.

The genesis of all control measures may perhaps be traced back to the meeting the Banking Department of the RBI had in the month of May in Delhi with some of the chairmen and managing directors of the public sector banks to
consider steps for surveillance of indu
trial units showing signs of sickness an
for defining a frame-work for regulatin
the management and production plans
larger industrial concerns. In the mee
ing it was felt that a working group
necessary to advise the financial instit
tions and banks to devise a procedure
which they keep a close watch over t
production trends in the assisted concer
with a view to developing an early warni
system by which coordinated remed
measures may be taken to prevent sickne
of assisted units.

monitoring the accounts

Again, in June 1974, the Finance mir
ter had a dialogue at Lucknow with
representatives from the ministry of F
ance, Reserve Bank of India, State Ba
of India and the other public sector ban
The crucial question of credit contracti
during the coming slack season had co
up for discussion. It was felt that
achieve credit contraction, it would
better to monitor the big borrowal
counts both in the private and pub
sectors. It was also realised how di
cult it is to reduce the absolute size
credit in a phase when prices of raw m
terials and other inputs required had b
going up continuously. If credit is
duced in a situation like this, the proc
tion volume is bound to be affected.
was ultimately agreed that in the con
what is more important is neither cr
squeeze nor credit restraint, but
should think in terms of credit plann
Every bank has to prepare detailed cr
plans and then ensure that credit goes
sectors that are important in augmen
production and facilitating movement
distribution of goods.

The Reserve Bank of India has
set up a study group headed by
P. L. Tandon, chairman of Punjab N
nal Bank, to devise measures for a fol
up and supervision by banks of credit
tended by them. The panel is obvi
set up to plug loopholes in the pos
misutilisation of bank credit by big
ness houses.

When everything is said and
the rationale of credit watching me
and control of big borrowal accoun
be better appreciated only if the me
are linked to the credit budgets
banks and credit rationing to all the
tors of the economy having due rega
the production plans of the borr
and the priority of the output in the
nomy of the country.

Farm holdings: economics of size

D. Vasudeva Rao

THE MAXIMUM percentage (75%) of the farmers in our country are either small or marginal, with the land holding size less than or equal to 7.5 acres[1]. The market surplus varies widely with the size of the farms. It is obvious that the foodgrain (subsistence crop) production would be lower, due to low contribution from (a) small and marginal farmers than the large farmers, and (b) subsistence crops than commercial crops. Percentage distribution of the production in different size classes[4] indicates that the relative retention is more in the lower groups. Even today, the index of 'percapita availability of foodgrains' (total production/total population) is treated as an indicator to assess the development in agriculture and agricultural progress in any region of the country. With the new and multiple problems arising in agricultural sector, especially in the recent past, the above index no longer holds good in bringing out the real depth of the problem—availability.

biassed estimates

The estimates of production are arrived at, by government organisations/publications, either by crop cutting experiments conducted in very small farms, with many factors under control and the same is generalised for the entire region or nation, by multiplying the total area (without taking into account the land holding pattern) under that crop, with a standard/normal yield rate. This procedure is subjected to a lot of criticism and stands correction. The bias in the estimation is further precipitated while arriving at the marketable surplus for various grains by adopting some set percentages of production as marketable surplus for example in foodgrains (50%), groundnut (80%), chillies (80%), cotton (80%) etc., depending on the earlier local experiences. A rational examination of these figures raises doubts about their subjectivity/validity. The procedure is oversimplified if the production and marketable surplus are estimated in this way, obviously ignoring a good number of constraints operating in the agricultural field.

Besides the 'size of the holding', the other important factors that determine the production and marketable surplus are (i) acute fragmentation of land, (ii) cost of production, (iii) poor retention capacity of farmers, (iv) soil type and type of cultivation, (v) ill effects of land ceiling act, and (vi) lack of institutional finance and programmes for the small and marginal farmers in many areas. Hence meticulous care is needed in arriving at these important variables—production and marketable surplus.

recent studies

As the direct and positive correlation between the total production and the steady flow of marketable surplus gears up the tempo of economic development of any region, the main objective of this article is to throw light, on some of the recent studies made in various parts of the country (i) to make the administrators and planners to understand the real problem and not to get carried away by the deceptive index of "per capita" availability; (ii) to bring into light the areas where and by what proportion the agricultural wealth (in comparison with small and medium farmers) is getting accumulated, in the rural scene thus affecting the economy as a whole(1A); (iii) the areas where further stress and improvement is urgently felt, to improve the conditions of small and marginal farmers so that their productivity and hence the market surplus can be improved.

The fragmented nature of holdings of these small and marginal farmers makes scientific farming almost impossible, which in turn is directly responsible for the lower yield and hence lower market surplus.

A study in Purnea district, Bihar[2] indicated "Right skewed distribution" of the land; prevailing on a low level of production, with the higher rate of share cropping, under rack rent conditions and higher cost of production in the lower size holdings.

In a study of Soundatti taluk[3], Mysore state, the irrigated and unirrigated farms were observed to be distributed skewedly with the frequency highest in the small holdings and progressively decreasing with the increase in the size of the holding.

TABLE I

Purnea: Size and Percentages of Holdings and Area

Size	Percentage of holdings	Percentage of Area
upto 5 acres	78.2	34.6
10 ,,	14.1	27.4
above50 ,,	7.7	38.0
	100.0	100.0

The study in the Tungabhadra area[4] revealed that the marketable and marketed surplus increased with the size of the farm; with the lowest size farmer having nil surplus and in other highest groups 5.2, 10.7 and 37.5 per cent marketable surplus with the corresponding figures of 2.2, 5.5 and 33.3 per cent marketed surplus respectively of the total production. It was also observed that 90 per cent of the surplus was contributed by the large farmers.

low returns

The returns (on the sales of the produce) were observed to be very low, for the small farmers sell their produce immediately after harvest. The retention capacity is more with the progressively higher holdings, and their capacity to sell to other places (other than local markets) is also high, thus fetching higher rates and more profits.

The study in west Rajasthan[5] also indicated that the percentage of marginal and small farmers was as high as 76.7 of the total cultivators, indicating production and marketable surplus in the lower range to be very low. Added to this, the benefits like financial assistance given by the government and private agencies had gone largely to medium and large land holders. Small farmers could not reap the benefits due to lack of their capacity to advance any tangible securities.

The study in Hoogli district, West Bengal[6] indicated the overwhelming domination by marginal (56%) and small farmers (24%). Another interesting point was that the total cost per acre for small farmers was nearly 60 per cent higher than that of marginal farmers on seed, fertilizer, pesticides, etc. The most important crops were sold immediately after the harvest by marginal and small farmers to repay the loans borrowed by them at the time of cultivation whereas large farmers could store their produce for considerably longer periods. The indebtedness was found to be very high (65%) in the lower group, usually using the entire amount for consumption purposes (non-productive) and/or cultivation. They could not get institutional (financial) assistance, because of their inability to mortgage any assets. Hence they had to approach private parties, generally their cultivators or local merchants for loans at very high interest rates with peculiar preconditions. The study[2] in the Purnea district revealed that the rate of interest sometimes worked out to be 140 per cent, depending on the time (immediately after harvest), type of corn, conversion of 'kind' to 'cash' at the time of payment, etc.

skewed holdings

The studies made in Tungabhadra area[1] revealed that the land holdings were skewed with only 3.6 per cent of large farmers commanding 26.0 per cent of the total land in Raichur district. In the context of market surplus, the small farmers contributed only 16.6 per cent of the total, whereas large farmers contributed up to 61.2 per cent. In terms of average, the marketed surplus per farm varied from Rs 1394 (small) to Rs 8384 (large) through Rs 2270 (medium).

The intensity of cropping has been observed to be a significant factor in raising production, which was possible only in the higher brackets of land holding. The small farmer generally received lower prices compared to the large farmer because of his (i) prior financial commitments resulting in forced and early sales, and (ii) small quantity of marketable surplus, rendering it uneconomical to transport to distant markets. Advantage of this fact is taken by local businessmen to make small purchases and send the total to distant markets where they can fetch higher prices. The percentage contributions to the total marketed surplus[4] by the small (16.6%), medium (22.2%) and large (61.2%) farmers indicate that the size of the holding directly influences the size of the total saleable output.

Another interesting finding was that "per acre marketable surplus" increases with the size of the farm[4], ranging up to 80 per cent through 39 per cent to zero per cent from the highest to the lowest size. The marketable surplus in the higher size groups were 279 per cent and 661 per cent more that of the lower group. Large farmers retain up to six months a major portion of their production, whereas small and marginal farmers sell their major production in the first two months. The small farmers had taken loans from the mandi merchants on the condition to sell their produce to them after harvest.

TABLE II

Distribution of Farmers by Size of Holding, Selling their Surplus, with Time

(percentages)

Size	Immediately	after 2 months	after 4 months	after 6 months
Small	74	26	—	—
Medium	41	59	—	—
Large	28	33	28	10
Big	25	37	24	13

In Telangana[7], sizewise analysis gave different elasticity of productivity, giving rise to the conclusion that the productivity elasticities of resources vary with the size of the farm. The input-output ratio increased with the increase in the size of the holding.

Small farmers could not utilise mechanical power and had to spend more money and time than the large farmers on land development. The cropping diversity was also low in small farms. Financial organisations had their own bias in advancing more loans to large farmers than the small farmers, who have more debt liability[1].

Yet another important factor that conditions the production and indirectly the marketable surplus is the type of cultivation: dry or light irrigation or wet. Crop yields differ under dry and wet cultivations, sometimes up to 100 per cent [8,9] difference.

It is also observed that due to the Land Ceiling Act (which specifies that more dry land can be retained by the farmer than irrigated one) the ratio being (Wet: I. D.: Dry) : : (1:3:5) the farmers are not cultivating their lands and thus converting their wet lands into dry, so that they can retain more of their land in the physical sense.[8] This method, in a way, is coming in the way of lands development, especially in the case of lands which are under new irrigation projects or command areas. In the command areas the villages are surveyed and are decided for localisation (suitability for wet, light irrigation and dry farming) depending on various characteristics, but all this planning is upset by the behaviour of the large farmers in view of the Land Ceiling Act.

The important factor that affects the production thus is the severe fragmentation of land. Due to the laws of inheritance, the landed property is divided among brothers and with passing of generations, the land becomes uneconomic. Hence the necessity of consolidation 'by law' is most urgent.

Streamlining is needed in the provision of financial assistance through insitutions to the small and marginal farmers at least for their cultivation purposes without rigid formalities of mortgage, guarantor, etc.

consolidation of holdings

In case of small/medium holding, the economic efficiency can be achieved by siphoning the surplus population from the agricultural sector to non-agrieultural sectors, then consolidating small holdings to optimum sizes with operational efficiency. The idea is to minimise the underemployment than to provide new employment. The size of holding should be taken as the factor to measure the efficiency in the farm production and to determine the returns to scale. This factor may be an impediment in the way of achieving economic efficiency either because the holdings are too small or too large in the Indian context.

Most of the land which is left uncultivated, though it is cultivable, by larg farmers due to their inability to manag the "very large" sized holdings should b immediately distributed to enterprising farmers for proper use.

In the light of the studies in different states, one can arrive at the conclusion that if the structure of land ownership is altered and a more even distribution undertaken productivity of land and total output can be increased.

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Soap muddle: present scarcity and price hike

Dr C.D. Maheshwari

THERE ARE two sectors in soap industry at present—one organised and the other unorganised sector. More than half of the soap production is in the small scale sector over which there is no price control of even an informal nature. The organised sector is usually represented by the Indian Soaps and Toiletries Makers' Association (ISTMA). The two big units or manufacturers in this organised sector are Tata Oil Mills and Hindustan Lever.

There was no statutory control over the prices of soaps and synthetic detergents, but there was an informal price control on soaps produced by the organised sector, except the premium grade toilet soaps. It was in July 1973 that the prices of soaps manufactured in the organised sector were last revised and the ISTMA used to consult the government every time it wanted to revise the prices.

In the last few months there had been sharp fall in soap production in the organised sector and the spokesmen of the organised sector had stated that in view of the present unremunerative prices of soaps, they were unable to purchase sufficient quantities of oils and fats at the prevailing high prices. The Indian Soaps and Toiletries Makers Association had therefore asked for an increase in the prices of soaps on the ground that prices of oils and fats had significantly increased.

The government has modified the system of regulation of prices or distribution. The organised sector has been asked to manufacture one brand of popular 'Janta' soap of a specific weight and this will be subject to government's price discipline. A percentage of the soap production of each unit in the organised sector has been reserved for this brand and rest of the production capacity may be utilised for manufacturing premium grade soaps which will not be subject to any price or distribution control. The government is also thinking of allowing the soap industry to cut down on perfumes and wrapping material so as to enable the manufacturers to keep the prices of popular brands as low as possible.

The main raw materials in the soap industry have hitherto been imported tallow and the indigenously produced edible oils. The soap producers have already reduced the tallow content of fat consumed for soap manufacture to 30 per cent from the usual 60 per cent. The government has now asked the soap manufacturers to reduce it further by 10 per cent.

The soap industry's annual requirement for mutton tallow was estimated at 75,000 tonnes, all of which was imported. Of this 45,000 tonnes was allotted to the organised sector and the balance was given to the small units in the unorganised sector.

The import of tallow has now altogether been banned so as to save foreign exchange. The switch over to minor seed oils, in place of the imported tallow and scarcely available edible oils, will not only save foreign exchange, but will also provide direct as well as indirect employment to a large number of persons. Most of these seeds as well as mowah are forest products, so a large number of persons will be required for picking them.

As regards the use of edible oils, the government seeks to discourage it in the manufacture of soaps. The government will, however, assist the soap industry to step up production of alternative minor seed oils to replace tallow and edible oils.

The government is encouraging the use of rice bran oil (non-edible grade) and a number of other non-edible oils such as sal seed oil, neem seed oil, karanj and mahua seed oils which can be utilised to produce soaps of different quality. The excise rebate on the use of such oils in soap manufacture was substantially increased with effect from August 1,

1973. The government will allow liberally the establishment of solvent extraction plants.

It is estimated that nearly five lakh tonnes of these non-edible oils can be produced in the country from existing resources if some initiative is taken by Petroleum and Chemicals ministry to pursuade the large manufacturers.

Synthetic detergents, which are substitutes for laundry soaps, are being encouraged since their manufacture requires neither tallow nor oil. To encourage the indigenous production of synthetic detergents, the government has already issued liberal licences for expansion of the existing units as well as establishment of new ones.

raw materials

However, for the indigenous manufacture of synthetic detergents important raw material, — alkyl-benzene and STPP — is not available in the country. It is imported from outside. But it saves foreign exchange to import cheaper alkylates than tallow or non-edible oils. The present synthetic detergents industry in India is based on imported alkylates. The government is making special arrangements to import alkyl-benzene so essential for the manufacture of synthetic detergents. The Indian Petro Chemical Corporation has also been asked to examine the feasibility of manufacturing alkyl-benzene, as it is a product of petrochemical plants. Regarding STPP a licence has already been granted to a big business house to set ap a unit at Haldia and the government is expeditiously clearing more applications pending with it for STPP.

As synthetic detergents are substitutes for oil and fat based laundry soaps, the government has decided to increase the synthetic detergent capacity even when benzene, an essential raw material for synthetic detergents, is not indigenously produced. Government wants that for laundry soaps synthetic detergents should as far as possible replace the traditional soap.

The present capacity for synthetic detergents is around 115,000 tonnes per annum; for an additional 70,800 tonnes licences have already been issued and for 160,000 tonnes, letters of intent have been issued, but as mentioned above, shortage of imported raw material—alkyl-benzene and STPP—is standing in the way of large scale production of synthetic detergents in the country. In 1972 aggregate synthetic detergent production was only 63,000 tonnes which increased by only 9,000 tonnes in 1973.

issue of licences

Licences and letters of intent for the manufacture of synthetic detergents were issued in a rather haphazard manner and uneconomic unit sizes of 10,000 tonnes per annum each were required to be set up. Even at present nearly one lakh tonnes of new capacity is under implementation. However, it is not certain whether an uninterrupted supply of indigenous alkylates such as non-edible oils will be made to the new units manufacturing synthetic detergents.

Unless and until the indigenous supply of non-edible oils is intensified and increased, the progress of soap manufacture and synthetic detergents production in India will remain dim and dismal in the coming years, at least during the entire fifth Plan period. In order to restore some equilibrium in the demand and supply of soap and detergents in the country, sustained and continued efforts to increase the indigenous alkylates are necessary.

Big units in the organised sector of the soap industry, such as Tata Oil Mills and the Hindustan Lever should be encouraged to produce sufficient quantities of non-edible rice-bran oil by collecting rice bran even from old and antequated rice mills. New licences for the production of synthetic detergents should be granted to large units only on the condition that they will put up in the country rice-bran oil extraction plants. The ceiling of 10,000 tonnes per annum on plant capacity should be relaxed and units of capacities larger than 10,000 tonnes may be encouraged in the interest of efficient and economical production.

The above suggestions in regard to the intensification and increased supplies of indigenous alkylates, if implemented, would make it possible for the present soap production in the country to increase to 12,00,000 tonnes by 1981-82 besides about 5,00,000 tonnes of synthetic detergents. If the production of indigenous alkylates, which are essential raw materials for the manufacture of synthetic detergents, is not taken up in right earnest, a continued shortage in the soaps and detergents will persist in the country for about a decade even.

After discussing the raw material components and other technicalities of the soap industry and also looking into the possibility of developing indigenous supply of substitute raw materials, to replace the hitherto imported tallow, the causes of the present soap scarcity and the consequent price hike can easily be now deduced.

There has been a sharp decline in soap production from January 1974 onwards. The total production of soap in the country last year was around 600,000 tonnes, requiring 300,000 tonnes of fats and oils. It is apprehended that in 1974 the total production of soap will be 270,000 tonnes only as the availability of fatty material to the organised sector is not likely to exceed 125,000 tonnes, whereas the demand for soaps has been increasing by about 10 to 15 per cent.*

lethargy and inertia

Cut in the import of tallow has been one of the important reasons for the low production of soap. Lethargy and inertia on the part of the Petroleum and Chemicals ministry last year in recommending licences for synthetic detergents, has considerably delayed setting up new units. Reduced availability of synthetic detergents pushed the demand for laundry soap thereby contributing to its price hike. Another reason for low production of soap was that no efforts were made by large-scale laundry and toilet soap manufacturers to increase the supply of indigenous alkylates (non-edible only) to meet in part the shortage of raw materials due to cut in the import of tallow.

There are not only vast possibilities of production of non-edible oils and indigenous alkylates from agricultural and industrial sectors but fatty acids as developed by the scientists of the Institute of Petroleum, Dehra Dun, and the petroleum refinery fractions can also become raw materials for the soap industry. The capital equipment for the manufacture of the substitute-raw material discussed above can also be produced indigenously. If the government makes sustained efforts in right earnest for the indigenous supply of the non-edible oils, the present scarcity of soap and synthetic detergents will soon be wipe out and the prices will also start declining.

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*Shortage of rubber-processing tools delays tyre project: Soap Scarcity—Reasons: *Economic Times* 17-8-1974.

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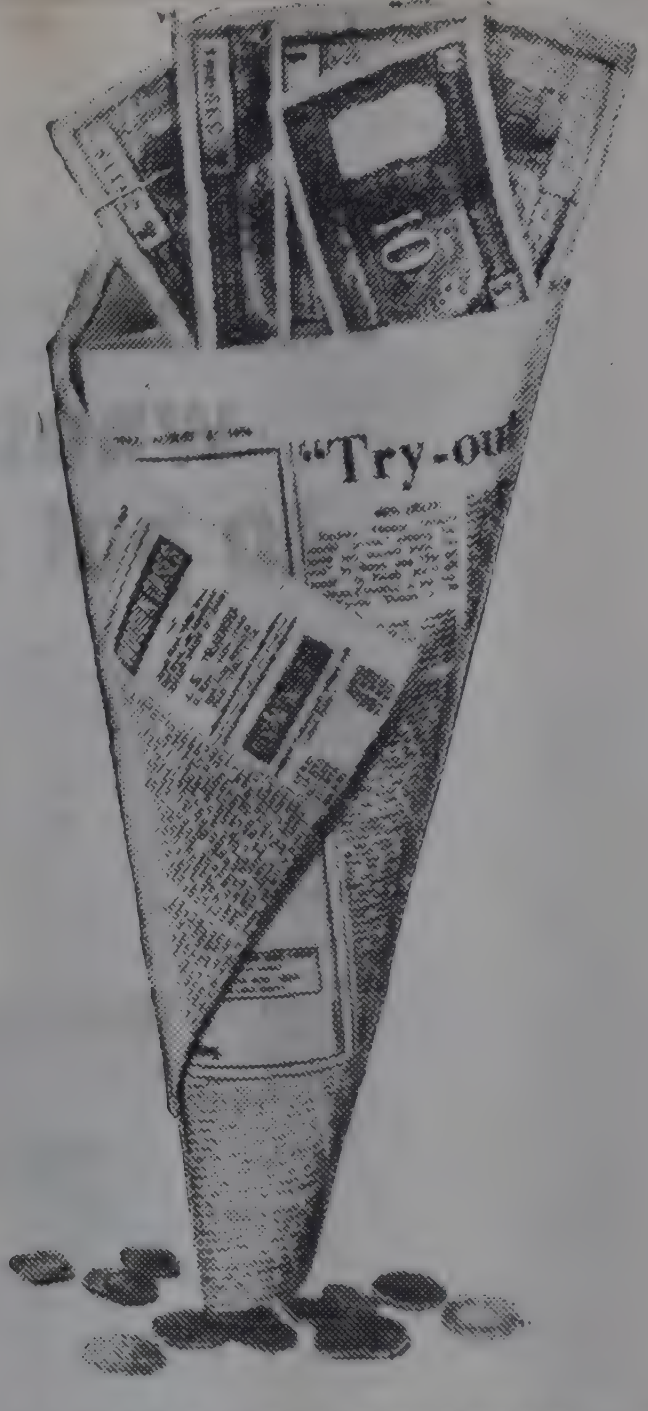

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WINDOW ON THE WORLD

Japan's continuing "economic miracle"-1

London

Jossleyn Hennessy

I

Years of Economic Growth

THE LAST 10 years have seen a rapidly growing and changing Japanese economy faced with great challenges both at home and abroad. They have been years of transition witnessing the emergence of Japan as a great economic power and foreshadowing the problems that lie ahead. Economic growth has remained impressive with real per capita GNP increasing at an annual rate of over nine per cent, compared with five per cent for France, four per cent for West Germany and three per cent for the United States, to name a few major OECD members.

But growth has also been accompanied by important disequilibria, externally and domestically. Externally, the progressive accumulation of a huge current account surplus, at a time when Japan's weight in world trade had become large, was certainly not a minor factor in the crisis which shook the foundations of the international monetary system set up at Bretton Woods. Domestically, with improved living standards, the problems of growing social imbalances and inflation, and the spread of pollution and other environmental damage created by fast industrialisation have come to the forefront of politics.

In the late fifties doubts were expressed as to whether Japan could continue the exceptional growth performance of the postwar years. These discussions both official and academic, were based upon the feeling that, with the ending of the postwar rehabilitation period, the scope for maintaining a high rate of growth had become smaller and that, consequently, a progressive slowdown of rates to those registered by other industrial countries was to be expected. Events proved such forecasts wrong and showed the resilience and flexibility of the Japanese economy. At 10.6 per cent a year, the growth of real GNP in the last ten years has in fact been higher than that of the previous decade: the basic factors, which had enabled Japan to grow rapidly in the fifties, continued broadly in the sixties and, indeed, are still present though their relative importance has changed with time.

Among the factors behind Japan's growth performance since the 1960s have been : abundant labour and a two-fold economic structure; high investment and savings accompanied by credit and fiscal policies designed to encourage high profits and investment; rapid introduction of important technology; combination of export-led and investment-led growth patterns, facilitated by appropriate exchange rate and other policies; great capacity to transform structures (particularly in relation to industry), advanced education levels, and high quality of labour and entrepreneurial ability.

II

The Two-Fold Structure

The two-fold structure of the Japanese economy, whereby sectors and activities with low productivity coexisted with modern and highly productive industries provided the country with a large labour reservoir and permitted considerable shifts of employment among, and within the different sectors of the economy—to a greater extent than in any other OECD country with a similar starting position, Italy and Spain for instance. Such shifts have naturally contributed to the fast rise in overall productivity per employed person throughout the postwar rehabilitation period and well into the sixties. Though it is difficult to evaluate the contribution of these structural shifts in employment to the growth of output, OECD Secretariat estimates based on somewhat arbitrary and simplified assumptions, indicate that it has been sizeable, perhaps 10 per cent of real GNP growth between 1955 and 1969.

declining trend

The trend decline in the share of agriculture in total employment has continued unabated during the last ten years, with a fall from 26 per cent in 1963 to 14.5 per cent in 1973. But its contribution to the increase of employment in industry has become progressively smaller and there has been, as a result, a considerable tightening in the labour market. Its future contribution is likely to be even smaller than would appear on the basis of the still relatively high share of agriculture in 1973 compared with that of other highly industrialised nations such as the USA and West Germany: the age structure of employment in agriculture (in 1973 some 70 per cent were 40 years old or older) makes it difficult for such transfers to take place even on a much smaller scals.

This is not to say that the dualistic structure of the Japanese economy has disappeared or that the growth in productivity resulting from employment shifts has played a minor role in the most recent years. Shifts within and between the industrial and services sectors are still taking place and are likely to continue, as witnessed by the steady decline in the proportion of self-employed in each sector. To the extent that such shifts take place from industries with a lower level (and/or smaller growth) of productivity, they may contribute substantially to the growth of output. But the progressive narrowing of wage differentials between small and large firms is an indication that the scope for intra-industrys hifts has become smaller. Moreover, the changing structure of final consumer demand toward services and the resultant growing weight of this sector in total domestic output and employment may also imply that productivity increases will become smaller. However, considerable manpower reserves still exist in the commercial sector, where the scope for rationalisation remains large.

III

High Investments, High Savings, High Profits

The rapid increase in productivity per employed person and the concomitant changes in the employment structure have been made possible by the high and growing rate of investment. On average during the last ten years the share of gross fixed investment in GDP in Japan was the largest among major OECD countries. Moreover together with that of France, it was also increasing at the fastest rate. When private productive investment alone is considered, the difference becomes ever more striking.

Developments during the last decade thus continued to show a high propensity of enterprises, leading to rapid growth, high profits, a rapid rise of household incomes and an increasing personal savings ratio which helped to finance further increases in business investment. The share of total national savings (the sum of gross investment and the current external surplus) in GNP rose from 35 per cent in 1963 to 40 per cent, on average, in the most recent years—remaining by far the highest major OECD countries throughout the period.

Japan's virtuous circle

The interaction of high investment and savings ratio is one fundamental aspect of Japan's virtuous circle of economic growth. Whatever the direction of the casual relationship, a high savings ratio has permitted a high investment ratio and thus a high growth rate, which in turn has provided one—if not the only—reason for an increasing savings ratio.

There are, indeed, other factors which could explain the behaviour of household savings in Japan, the most important of which are: the need to compensate for the insufficiencies of the social welfare system, especially the low level of old age pensions; the need to finance education expenditures; the desire to finance the purchase of a house: given the increase in land and construction prices and the late evolution of a housing credit system, people have tended to increase the proportion of their incomes that is saved in order to maintain the real value of their savings balances; and finally, relatively undeveloped consumer credit facilities.

All these factors, however, while explaining in part differences in the level of household savings between Japan and other industrialised countries, cannot fully account for the high trend growth rate of the savings ratio unless they are viewed within the dynamics of the growth process in Japan.

A peculiarity of the Japanese wage system is the large lump sum payments which are given to workers twice a year (June and December) and are linked to corporate profits. Though such bonuses cannot be fully considered as "transitory income" since workers have come to expect them, the propensity to save out of these payments is much higher than it is out of regular earnings. Because the share of bonuses in total wage earnings has increased substantially since the mid-fifties, it is not surprising to see that, on average, the propensity of workers to save has also increased. And since household incomes are largely composed of wages and salaries, this also explains the upward trend in the savings ratio of the household sector as a whole. A direct relationship can consequently be found between the high and increasing level of private productive investment, a consequent increase in enterprise revenue and profits, higher bonus payments, and, in turn, a higher savings ratio. In other words, the rapid rate of growth resulting from rising investment expenditure itself generates the financing for an even higher level of investment in a cumulative dynamic process.

high savings ratio

Theoretically, a high savings ratio does not by itself ensure a high rate of investment and growth-unless there is a demand for investment and unless savings are effectively channelled to its financing. Economic policy in Japan by allowing high profits has, however, encouraged private productive investment and ensured that savings be made available to it. Banks have been the major intermediary between investors and savers, providing to investors the major source of their financing and to savers the desired financial assets in which to hold their savings. Through appropriate low interest rate policies, depreciation allowances and protective measures and, not least, by limiting its own recourse to

Japan's Manufacturing Industry—By size Category of Establishment, 1970

Size Category (No. ofpersons employed)	1-9	10-19	20-29	30-49	50-100	100-199	200-299	300-499	500-999	1000 and over	TOTAL
Number of establishments	479,376	88,761	26,334	23,861	18,812	8,715	2,742	1,987	1,449	894	652,93
Number of persons employed	1,909,757	1,262,388	646,686	912,601	1,291,099	1,193,821	665.274	760,033	991,007	2,047,014	11,679,68
Amount of value added (in millions of yen)	1,933505	1,836,271	1,049,153	1,483,015	2,311.900	2,400,838	1,559,341	1,917,340	2'848,863	7,231,679	24,571,91

Source: Japanese Ministry of International Trade and Industry borrowing from the private sector, the government has thus greatly stimulated demand for investment and freed resources for its financing. Investment demand has only been curtailed in periods when restrictive credit policies were required for balance of payments reasons.

The system thus developed has proved highly efficient and so resilient that difficulties have been and are being encountered in the attempt to shift resources away from private investment in order to satisfy the increasing demand for welfare and social infrastucture—a stated objective of the last three development plans.

During the last decade the massive investment effort has contributed increasingly to both the rise in output and demand. The capital elasticity of production (i.e. the percentage increase in output resulting from a given increase in the capital stock) and the contribution of investment to the growth of demand have increased progressively throughout the sixties. As a result, investment played a growing role in determining both the potential growth of output and the fluctuations of economic activity.

At the same time, the capital intensity of production processes has also been increased considerably as investment has not only been directed to expanding capacity but also to replacing labour in response to the progressive tightening of labour supply and increasing cost of labour relative to that of capital. The high rate of investment has also permitted the quick adoption of imported technology and, increasingly, the development of domestic technological advances.

IV

Investemnts and Exports

The sharp rise in productivity resulting from the high investment rate and from technological progress has allowed Japan to achieve a generally satisfactory price performance at the wholesale level until 1971-72 despite relatively large increases in wages. That this should have progressively strengthened Japan's competitive position under a system of fixed exchange rates and, with time, caused a basic imbalance in external transactions was predictable, as also was the slow response of economic policy to such a fundamental change. It is consequently not surprising that, with the US balance of payments simultaneously weakening, both Japan and the world monetary system faced their most serious postwar crisis in 1971. Throughout the postwar rehabilitation period and even in the sixties (though to a progressively lesser extent) Japan's foreign trade policies aimed to encourage exports and control imports, because the balance of payments was the most important constraint on the achievement of full employment and rapid growth. Though imports were progressively liberalised, various export incentives, such as favourable tax treatment or special credit facilities, remained in force until recently.

additional capacity

Plant and equipment investments continuously created additional productive capacity for export and strengthened the competitive power of Japanese industries. That prices of intermediary and basic materials remained stable at a relatively low level also helped the competitiveness of many Japanese exports. Thus, industries which had originally been developed to supply the domestic market with basic products (such as steel, automobiles and chemicals) acquired increased strength as export industries. The growth of exports was also stimulated because foreign demand for what progressively became major Japanese exports was expanding fast. As a result, increased competitiveness and the composition of exports permitted continuous and sizeable market gains, greatly expanding Japan's weight in foreign trade.

The rapid rise of exports lifted the balance of payments ceiling on growth so that it became less necessary to restrain aggregate demand to maintain balance of payments equilibrium. The turning point probably occurred around 1968, when the current balance moved into strong surplus reflecting, what can be considered with hindsight, a basic disequilibrium. The interplay between investment and exports is thus a second aspect of the Japanese virtuous circle. It permitted simultaneously a high rate of growth and the progressive reduction of the external constraints to the attainment of full employment. It allowed the economy to be progressively liberalised thereby providing for an improved allocation of resources. But it also bred the seeds of what have now become other problems and challenges facing the country's economy.

The interaction between investment and exports greatly affected the structure of industry which showed rapid changes throughout the sixties. As the average contribution of export and private investment in total final demand rose progressively from 34.5 per cent during the years 1960-65 to over 40 per cent in the period 1965-71, there was also substantial change in the composition of industrial output. Generally the industries that rose faster than average were also those whose export dependency was increasing substantially, iron and steel for example, machinery, chemicals, and later automobiles and electronic products. Conversely, those industries which registered a slower growth of exports, e.g. textiles, also saw their weight in total production decline. This, of course, has rendered the economy more dependent upon external demand, even though the share of exports in GNP remains low when compared with that of European countries. It has by the same token increased proportionately Japan's stake in the maintenance and development of a free trade and payments system.

This rapid sketch of some of the main economic factors behind Japan's growth performance has emphasised some important relationships between certain economic variables. But the institutional, human and sociological basis upon which the "growth model" is rooted has also been important, though difficult to quantify. A highly competent and effective government, the existence of skilled and flexible labour supplies and the great inventiveness and ability of entrepreneurs (a la Schumpeter) have all enabled the economy to maintain virtuous growth. They have created the historical conditions in which it was possible to develop "special" relationships between the government and the private sector as well as between the diffierent social partners, thereby avoiding conflicts which would have harmed the growth of the economy. Entrepreneurs have generally accepted and cooperated with the basic goals of the government. Workers, while claiming their fair share of economic growth, have also grasped that their interests are basically linked to those of the enterprises employing them. Thus major economic policy decisions have been taken only after achievement of a "general consensus" which made them broadly acceptable to the public at large.

V

The Future

The next decade will be greatly affected by whatever consensus develops on how to cope with the problems created by the rapid growth of the past. There is a clear, increasing demand for public service, housing facilities and improved distribution of income in favour of the poorer and aged. There is rising resistance to the unfavourable by-products of rapid industrial growth, i.e. pollution, excessive urbanisation and destruction of the natural environment. With the growing inelasticity of the labour supply, the multaneous achievement of full employ- nent and price stability will become ncreasingly difficult, especially if resources re to be devoted to more and better public services, to pollution control and mprovement of the environment. No ess difficult challenges will face Japan abroad. Given Japan's present weight in world trade, it will probably be difficult for the country to continue increasing its share in world exports at past rates (unless this is matched by equivalent increases in the share of imports and/or large capital outflows) and to secure the raw materials required by industry at the relatively low prices of the past.

In the last two years these problems have already become pressing. The revaluation of the yen showed that the external imbalance had become unsustainable and that resources had to be diverted away from exports to increase domestic welfare. The subsequent misguided attempt to shift resources towards the public sector by increasing public spending at the same time as private demand was showing a strong recovery, has resulted in unprecedented rates of inflation, also exacerbated by world-wide scarcities of raw materials and, more recently, by the oil crisis.

While it is wrong to extrapolate into the future on the basis of events which are by no means exclusive to Japan and which may prove temporary, it is clear that a new pattern of growth is slowly emerging. To what extent this will offset growth performance in the seventies, however, is not easy to predict. The objectives and policies outlined in the Basic Economic and Social Plan FY 1973-1977 adopted a year ago, imply a lower rate of growth than in the previous decade. But previous plans had also made similar forecasts, and the flexibility with which the economy has adapted to changing circumstances make it by no means certain that actual developments will conform to the Plan's forecasts.

Next week I will report on the contribution to her "economic miracle" of Japan's industrial policy.

Sources and acknowledgement: The foregoing summarises a special thirty page report on "Japan Ten Years After Joining The OECD" in the latest issue of the OECD *Observer* (2 rue Andre Pascal, F75775 Paris Cedex 16), but the OECD is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

The yawning gas gap

EXHAUSTION OF the world's older oilfields and reluctance of exporting countries to step up production from prolific new fields confront world energy consumers with a shortage for which no near-term solution is in sight. Almost limitless supplies of solar, wind, tidal or geothermal energy or of electric power from nuclear fusion provide the long-term hope of enabling this planet to support its vastly increased population load. In the meanwhile, however, known sources of fossil fuels will have to fill the gap.

North America, the Soviet Union and mainland China can look forward to major increases in coal supplies. Shale reserves, though higher-cost, are also immense. Much closer to hand, and with decisive environmental advantages in both extraction and consumption, is natural gas.

World gas reserves appear to be as widely distributed as those of oil, and to represent an energy pool over half the size of oil reserves. But a combination of transportation difficulties and governmental and regulatory interferences have thus far prevented gas from occupying its rightful place.

In the United States, thanks to the boldness with which long-distance pipelines were laid after World War II, the exploitation of gas dicoveries has been easier. For more than twenty years, this allowed production to grow rapidly. But, ever since the Supreme Court's 1954 decision in the case of Phillips Petroleum Company v. Wisconsin, the picture has become increasingly cloudy. The United States remains by far the largest gas producer in the world. But the continuation of present trends will, in a matter of fifteen years cause it to be overtaken (as recently occurred in the case of oil) by the Soviet Union.

The consumption in the US has continued to rise, establishing gas as the leading domestically-produced energy source. But total reserves have been shrinking since 1967.

rapid growth

A new review of natural gas produced (or sold) by 30 oil companies over the last ten years shows how rapidly this part of their business has grown. The table (page 811) shows that in last year 20 leading integrated oil companies based in the United States produced almost 21 billions cubic feet daily of gas, compared with not much over half that amount ten years previously. Meanwhile, the five largest international companies based in the United States raised their production to nearly 23 billion cubic feet daily—almost a three-fold increase. For the five largest international companies based outside the United States, the growth was even more dramatic. Last year's production of six billion cubic feet daily represented more than a five-fold increase over the decade.

In total, these 30 companies last year produced gas at the rate of nearly 50 billion cubic feet daily—70 per cent in the United States and 30 per cent abroad. Their production had grown at an average of 10.2 per cent annually during the mid and late sixties. Since the opening of the seventies, however, the advance has slowed to less than half that average.

Undoubtedly, the main prospect for rapid growth in gas production now lies in the eastern hemisphere. Supplies to the British market, already three billion cubic feet daily, are expected to double by the early eighties as a result of discoveries in the North Sea. In the Middle-East, where nearly nine billion cubic feet daily are still being vented or flared in association with oil production, there is mounting interest in fertilizer and other gas-based export projects. In the Soviet Union, reserves are the largest in the world and are likely to be developed rapidly.

With massive discoveries already made in the western hemisphere, world reserves of natural gas are believed to be large enough to support many decades of increased production. The latest Geological Survey estimate of ultimate gas resources in the United States is 2,500 trillion cubic feet. For the world as a whole, the total has been estimed at no less than 19,000 trillion cubic feet.

For practical purposes, however, these huge totals are meaningless. If recent price relationships prevail, much of the gas will never be produced.

The US, being the largest and most competitive fuel market, the electric utility industry can be used to portray price trends for wholesale consumers generally. By the end of last year, cost of gas to utilities had doub- since 1953. But the long-term lag gas prices in relation to other els has by no means disappeared. er selling at a discount of between 10 and cents per million British Thermal Units tu) in the early fifties, gas was last year ll selling at a significantly lower price an coal, and at under half the price of oil.

Recent increases have gone some stance toward eliminating the distor- on of gas prices in the United States. rly this year, utilities were paying an erage of 41 cents per million Btu. ew gas was being dedicated at some 50 nts per thousand cubic feet (approxi- ately equivalent to one million Btu) to e inter-state market, and at over dollar ne delivered from Canada. Intra-state ntracts have been signed for as much $1.50.

Within this framework, the June ecision of the Federal Power Commis- on to maintain artificially low prices on ld-contract gas and to keep a ceiling—his year of 43 cents per thousand ubic feet—on new gas will not suffice to ncourage the necessary production effort. llowing for the tightness of supply, itibank expects demand for natural gas n the United States to decline by more than ne per cent annually for the remainder of his decade, compared with a rise of almost ix per cent annually during the sixties.

resh activity

The recent improvement in prices has ndeed stimulated fresh exploratory ctivity. In the first half of this year, as well completions were running nearly 0 per cent higher than the year before. ut this rise has come too late to improve he situation for the coming winter, when atural gas is likely to be the only major ype of energy still subject to rationing n the United States; curtailments, inclu- ing firm as well as interruptible gas upplies, are expected to be at least 50 er cent higher than last winter.

Three years or more will certainly be eeded before the renewed drilling ctivity can be reflected in greater gas production. The full impact will be felt only when confidence in higher price levels has become firmly established.

Price uncertainties have impeded gas development even for the sorely needed discoveries of the eastern hemisphere. From the cost of fuels for industry in Great Britain as an index of the relative price of gas in large foreign market, it can be seen that gas is now selling at sharply reduced levels.

So long as such discounts on gas prevail, sharp increases in exploratory effort abroad are unlikely. Countries with long production histories, such as Italy, France and the Netherlands, have committed most of their known gas at prices that now look unduly low. At the same time, countries with large future potential, as in the Middle-East and around the North Sea, are driving away investment by delaying the issue of new leases and demanding increased government participation.

transmission problems

With the new tightness in energy markets putting increased burdens on supply, it is astonishing that more progress is not being made in linking known gas reserves to hungry markets.

In North America, most of the principal gas fields have long been linked to major consuming areas, with all the mainland states and provinces (excluding the Canadian Maritimes) now served by natural gas. But the discoveries in northern Alaska cannot be marketed until a decision on the pipeline is reached. Even without connecting lines, an investment of over $6 billion would be required for the proposed Arctic Gas System, which would raise supplies by volumes that could total 4½ billion cubic feet daily. An alternative proposal would transmit gas from northern to southern Alaska and then ship it to market as liquefied natural gas (LNG).

Similar choices between alternative pipeline and refrigeration solutions have been among the bottlenecks holding up utilization of Middle Eastern proven reserves (estimated at over 400 trillion cubic feet). An early venture was the 40-inch pipeline from southern Iran to the Soviet border that has been operating since 1970. In today's energy squeeze, however, even larger pipeline—from Iran and the major Arab countries to western European markets—are competitive and could prove mutually beneficial. A pipeline passing from Algeria (with proven reserves estimated at almost 100 trillion cubic feet) under the Mediterranean to the markets of southern Europe also appears to be technically feasible.

In the North Sea, production has been stimulated by the speed with which surrounding countries agreed upon the international boundary lines drawn up in the Geneva Convention on Continental Shelves, and by the eagerness of those governments to ease their increasingly severe energy deficiencies. Leman Bank, brought in six years ago, has now become the world's most prolific offshore gas field. With the completion of over 300 miles of underwater gas pipelines and with output of both gas and oil still far from their expected peaks, capital expenditures of at least $2 billion annually will be required for the rest of this decade.

Although techniques of laying long-distance, large-diameter gas pipelines have advanced far enough to permit exploitation of gas fields lying in 500 feet or more of water, output from some of the largest fields can only reach market if carried long distances by sea.

Delays in further development of LNG resources, especially in the Middle-East and South America, are partly accounted for by distrust of projects presupposing long-term commitments on supply or price between producing and consuming countries. Cost factors have also played a part. The earliest projects were based upon an assumed average investment of approximately $1 billion per billion cubic feet daily of gas deliveries. To allow for recent escalations of cost, this average must now be increased several-old. At the same time, attention to security of supply is now much greater than it used to be, while major exporting countries are becoming more reluctant to step up production or to export non-associated gas.

interest revival

Revival interest in LNG projects must await evidence that they can compete with alternative transportatian modes such as methanol imports or synthetic natural gas based on coal or imported naphtha. Eastern hemisphere deliveries of LNG to the east coast of the United States, at more than $2 per thousand cubic feet, may appear less attractive. In these circumstances, LNG activity is likely to be concentrated in areas where gas is produced in association with oil, or where the producing country is acutely short of other sources of foreign exchange. For the foreseeable future, however, it is being delayed by the long order books of companies producing refrigeration equipment and cryogenic tankers. A further problem is that LNG projects are among the most capital-intensive in the energy business.

Yet the world's unexploited natural gas reserves offer the attractions of an almost entirely pollution-free fuel, already widely known and not necessarily requiring large additional capital investments. A recent Citibank estimate suggests that gas-company projects are now absorbing only 10 per cent of energy investment in the non-Communist world—totalling $127 billion annually. For the year 1980, investment in oil and gas production may have risen (in constant dollars) to $27 billion.

If the facts indicate that one of the most constructive responses to the energy challenge would be to stimulate the development of natural gas, the main requirement is to attract additional capital. In the new circumstances of petroleum ownership and production, much of this capital, particularly for natural gas liquefaction projects, might be raised from the greatly enlarged financial resources of producing countries.

The remainder of the needed investment, as in the past, must come primarily from private sources. They can be expected to respond, if rates of return are adequate. Yet last year gas-utility and pipeline companies in the United States earned only 12.8 per cent after tax on their net worth, against 14.8 per cent for manufacturing industry.

Moreover, these companies may have benefited from price controls and are, in any case, engaged in the less risky end of the gas business. Ventures in gas production, as distinct from transmission or distribution, have traditionally been undertaken in the expectation of an after-tax return of at least 20 per cent.

An obvious and overdue step in the direction of improved rates of return and thus larger gas supplies would be to abolish all types of wellhead price controls. The recent move by the Federal Power Commission to replace area rates by a national ceiling suffers from the weakness that it preserves an existing distortion by pegging the price of new gas far below competitive levels. New gas should be freed, and old gas restricted only by escalation and re-negotiation clauses until contracts expire.

At the same time, new producing countries should cease to follow the American pricing precedent that has caused shortages for a full six years and has now been disowned even by those administering it. Reserves and consumption abroad, in so far as historic data permit show that, although gas consumption abroad reached 62 billion cubic feet daily in 1973, reserves outside the United States are still climbing steeply. Yet the 1973 reserve level of 1,800 trillion cubic feet (against 250 trillion in the Unite States) could mark a plateau, if too man consuming countries seek to force dow the domestic price of gas.

Worldwide as well as in the Unite States, the time has come to remov controls that artificially restrain suppl and stimulate demand. Even before th gathering pace of inflation made then almost unworkable, these controls ha become an anachronism. Their remova now, and firmness in continuing t shield gas production from threats o "windfall profits" taxes, would restor the long-run investment assurance tha past policies have undermined. Thi would set the stage for a new surge o production, expanding conventiona supplies and drawing less accessibl reserves into the market. It would reverse the policies that have in the pas done so much to widen the gas gap an thereby aggravate the world's energ problem.

—**Courtesy** : *Firs National City Bank, New Yor*

Natural Gas Production : Thirty Major Oil Companies—1963 to 1973 (Millions of cubic feet daily)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Five Largest (US) International Companies											
(1) Exxon	2,616	2,845	3,470	4,071	4,419	5,296	6,309	7,491	8,527	9.323	9,767
(2) Texaco	1,863	1,998	2,074	2,560	2,887	3,262	3,661	4,026	4,181	4,685	4,516
(3) Gulf	1.549	1,783	2,092	2,367	2,688	2,994	3,188	3,486	3.539	3,572	3.360
(4) Mobil	1,214	1,474	1,522	1,673	1,843	2,040	2,352	2.812	2,967	3,072	3.156
(5) California Standard	1,024	1,129	1,172	1,329	1,398	1,496	1,550	1,658	1.674	1,748	1,706
(6) **Sub-Total**	8,266	9,229	10,330	12,000	13,235	15,088	17,060	19,473	20,888	22,400	22,505
Five Other Large International Companies											
(7) Royal Dutch/Shell (excl. USA)	357	441	480	550	733	1,093	1,469	2.016	2.583	3,280	3.929
(8) Ente Nazionale Idrocarburi	684	725	739	835	879	969	1,087	1,171	1,199	1,342	1.413
(9) British Petroleum	9	15	24	63	141	241	265	251	344	432	407
(10) Petrofina (excl. USA)	60	58	59	64	65	133	152	127	156	189	197
(11) Cie. Francaise des Petroles	30	60	100	188	206	226	273	105	125	148	159
(12) **Sub-Total**	1,140	1,299	1,402	1,700	2,029	2,662	3,246	3,670	4,407	5,391	6.105
Twenty other Integrated (US) Companies											
(13) Indiana Standard	1,966	2,186	2,374	2,533	2,738	2,833	3,313	3,510	3,631	3,911	3,935
(14) Shell	1,413	1,559	1'626	1,834	2,046	2,201	2,490	2,548	2,542	2,460	2.268
(15) Atlantic Richfield	1,390	1,440	1,530	1,630	1,720	1,888	2,004	2.117	2.158	2,146	2.138
(16) Phillips	1,398	1,415	1,417	1,498	1,580	1,560	1,638	1,858	1.844	1,853	1,825
(17) Union	874	954	980	1,079	1,149	1,225	1.512	1,601	1.611	1,634	1,534
(18) Sun	1,082	1,148	1,194	1,265	1,290	1,505	1.631	1,441	1,482	1,510	1.523
(19) Continental	714	800	829	885	912	991	1,071	1,161	1,207	1,326	1,451
(20) Cities Service	877	853	819	822	882	936	971	1,036	1,053	1,087	1,127
(21) Tenneco	258	274	295	399	516	520	622	916	890	938	972
(22) Getty (excl. Skelly)	462	501	528	560	608	661	716	746	762	745	749
(23) Amerada Hess	338	375	408	419	407	456	492	610	690	763	743
(24) Pennzoil	493	497	486	498	528	501	555	581	579	605	675
(25) Skelly	314	326	332	336	364	386	404	459	476	516	512
(26) Marathon	330	339	321	369	389	415	431	477	462	429	419
(27) Ashland	32	52	70	75	80	93	105	109	154	172	312
(28) Kerr-McGee	165	171	182	221	208	222	236	258	256	304	300
(29) Ohio Standard	99	106	187	178	190	203	206	206	201	145	110
(30) Occidental	37	71	68	73	68	87	110	91	102	102	103
(31) Murphy	58	56	52	50	52	55	60	62	65	66	71
(32) American Petrofina	50	46	45	55	56	62	63	61	57	56	50
(33) **Sub-Total**	12,350	13,169	13,743	14,779	15,783	16,800	18,630	19.848	20.222	20,768	20,817
(34) **Grand Total**	21,756	23,697	25,475	22,479	31,047	34,550	38,936	42,991	45,517	48,559	49,427

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Inhibitions of multipurpose coops

Multipurpose Cooperative Societies in South-East Asia: J. M. Rana; International Cooperative Alliance, New Delhi; Pp 143; Price Rs 20.

Tales of Two City-States: The Development Progress of Hong Kong and Singapore: Theodorse Geiger assisted by Frances M. Geiger; National Planning Association Studies in Development Progress, Washington; Pp 239; Price $3.50.

Role of Development Banks in a Planned Economy: Prabhu N. Singh; Vikas Publishing House Pvt Ltd; 1974; Pp 161; Price Rs 27.50.

Central Banks and Treasuries: Bani Majumdar; Vora & Co. Publishers Pvt Ltd, Bombay; 1974; Pp 160; Price Rs 25.

Readings in Economics of Agriculture: Edited by Karl A. Fox and D. Gale Johnson; George Allen & Unwin Ltd, London; Pp 517; Price £ 2.75.

Inflation in India: Edited by S.L.N. Simha; Vora & Co. Publishers Pvt Ltd, Bombay; Pp 378; Price Rs 48.

A SEMINAR on multipurpose cooperative societies was held in Tokyo in 1972. The author of *Multipurpose Cooperative Societies in South-East Asia*, J. M. Rana, has prepared this document as a sequel to that seminar. In this book he has tried to trace the trends in multipurpose cooperative movement in that part of the world. Since a multipurpose cooperative society is thought of as the best instrument to bring about rural reconstruction, it would be instructive to know how this movement is faring in South-East Asian countries.

the concept

The concept of multipurpose cooperatives was first introduced in Germany by Friedrich Rafferisen during the last century. It influenced the introduction of cooperative movement in Japan and India and subsequently to other countries of Asia. Horace Plunket with his famous slogan "Better Farming, Better Business, Better Living" was another thinker who influenced cooperative movement in India. The purpose behind the multipurpose cooperative societies is that the entire life of villagers should be brought within the compass of the cooperative solution and a simultaneous drive from all side be made to raise the level of their economic and moral well-being.

As regards the progress of the movement in different countries the main problem before Bangladesh after its liberation is the rebuilding of its shattered economy. The prime minister Sheikh Mujibur Rahman has declared that "the Basic Rural Economy of Bangladesh could be developed through cooperative movement." The Comilla experiment in multipurpose cooperative movement has brought certain problems to the forefront.

absenstee ownership

It is found that a large number of farmers have been cultivating the land of others under 'Borga' system and it is found that absentee ownership, coupled with the lack of personal ownership on the part of actual cultivators cannot promote spontaneous response to the cooperative movement. Lack of proper knowledge of principles and practices of cooperation among members is also a stumbling block. Building up of proper leadership from among the people to run this movement with ability and dedication appears to be the main problem faced in Bangladesh.

What are the problems of the multipurpose cooperative societies in Indonesia where the law No. 12 of 1967 has made provision for the organisation of cooperative societies? The multipurpose cooperative society with its various activities is necessarily a combination of persons with different economic activities and interests. This has resulted often in conflict of interests among members and withdrawal of members from societies. It is also found in Indonesia that often there arises conflict between one aspect of business which is making surplus with another aspect which is making a loss. Also the country is experiencing dearth of qualified persons to run societies and especially of people who can keep accounts of such societies.

In Iran (where cooperative movement made its appearance in 1933) an element of inefficiency is noticed as there has been a rapid expansion in the number of primary societies since they are tied up with the land distribution system. Iran appears to be in a hurry to get to the top in all fields and it has become a stupendous task to organise, recruit and train managerial personnel and to educate members of such a large number of societies in such a short time. Also the structure at the primary and secondary levels appears to be weak in the sense that it operates in a small area. Further the secondary level cooperative unions appear to be mere branch offices of the central organisation.

Japanese experiment

It would be instructive to know the trends in multipurpose cooperative movement in Japan. What we notice there is that in order to further increase the management efficiency of cooperatives, amalgamation of multipurpose cooperative societies is being pursued. Group farming is being promoted to enlarge the size of the farm. In order to improve the living conditions of members, the societies are establishing chain-stores to supply consumer goods to the farmer-members who are now demanding sophisticated and wider range of goods due to rising incomes. Further, through a variety of ways such as amalgamation, adoption of computer system, rearrangement of organisational set-up, greater emphasis on member education and employee training, the movement is continuously attempting to increase its efficiency. Japanese people have found it necessary to bring about a high degree of coordination and integration amongst the cooperative organisations at various levels in order to attain the goals of movement, namely raising of farmers' incomes as also their living conditions.

In the Republic of Korea, the main factors obstructing the development of multipurpose cooperative movement are small-scale operations of unit cooperatives, inadequacy of funds, want of capable leaders and want of managerial knowhow in unit cooperatives, low incomelevels of member-farmers and inactive state of marketing programmes.

In Malaysia it is found that the movement is facing problems of organisation and funds. If the movement is to play a significant role in helping farmers to increase productivity, the cooperative structure will have to be reorganised and revitalised. The reorganisation will have to aim at establishing economically viable cooperatives that would effectively link credit with extension, supply and marketing and train managerial cadres to run cooperative units at various levels.

In country after country—India, Pakistan, Philippines, Thailand—we come across the same problems of funds, organisational defects, too much of governmental interference and regulation, inadequacy of trained personnel, ignorance among rural-members of their rights and duties and the general failure of the movement—except in Japan—to achieve any substantial results in improving the lot of the members.

Though the account in this book is not detailed and critical, the author has given a good overall view of the developments in the multipurpose cooperative movements that are taking place in recent years in South-East Asian countries. It is unfortunate that on the whole the movement has not succeeded to the expected degree in attaining the objectives. Why? Is it that too much was expected of the movement? Or is it that progenitors of the movement hurried too fast as people with reformist zeal always tend to do? Possibly the multipurpose cooperative movement appears to be the best instrument to bring about the upliftment of the rural masses of the South-East Asian region; but unfortunately the very environment in which they live appears to inhibit the development of the movement! Like all vicious circles, this vicious circle must also be broken at some point. Most Asian countries look up to India to provide the guidelines. Will we rise to the occasion?

Different Approaches, Similar Objectives

The Committee on Overseas Development has been sponsoring a series of studies of countries that have been showing significant and lasting progress. *Tales of Two City-States : The Development Progress of Hong Kong and Singapore* covers these two city-states which have been achieving high rates of economic growth with full employment and rising living standards. Since most other Asian countries have remained either stagnant or have been struggling hard with inconsequential results, it would be worth our while to know the way to progress adopted by these two city-states and the possible lessons that the developing countries like India can draw from their experience.

During the period following World War II, Hong Kong was confronted by two developments—inpouring of refugees from China (which quadrupled its population within 10 years) and secondly the embargo imposed by the United Nations during the Korean war on its entrepot trade with China. Hong Kong could have collapsed under the weight of these or even one of the two. But Hong Kong turned them to its advantage through the dynamic entrepreneurship of its businessmen, the energy and adaptability of its people, and the constructive policy of its government. The changed situation required a complete transformation of the nature of its economy. From being primarily entreport, Hong Kong had to convert itself into an industrial economy manufacturing an increasing volume and variety of consumer goods and intermediate products for export to competitive world markets. The rising productivity, employment and income have enabled its people to enjoy steadily improving living standards which at present are possibly among the highest among the developing nations. The present per capita income is about $ 1000 for its nearly 4.1 million people.

challenge met

Like Hong Kong, Singapore was also confronted during post-war years by developments—emergency of 1948-60 and prolonged warfare waged in neighbouring Malaya by communist guerrillas with growing communist influence on trade unions and domestic politics—which could have proved disastrous. Thanks to the policies of the government and hard work by its people, Singapore too could successfully meet the challenges.

But the two have followed somewhat different routes to development. Unlike Hong Kong which relies predominantly upon freely operating market forces for continual reallocation of capital and labour into more productive channels, Singapore actively constrains and supplements the operation of market forces by macroeconomic management policies of various kinds. For example, in Singapore government offers tax concessions, works and other incentives to local and foreign enterprises for establishing industrial units it believes most desirable, and it provides tariff and quota protection to those noncompetitive industries it regards as necessary. The government regulates labour-management relations so as to preserve industrial peace and controls the rate of increase of wage and other labour costs. The growing size and diversification of Singapore's economy have provided the resources for the rising standards of its people. Per capita GDP at current prices was 2¾ times higher in 1972 than in 1960 and private consumption expenditures were 2½ times larger.

The authors are of the opinion that there are few developing countries today that have been as successful as Singapore in combining an active macroeconomic management approach with the incentives and pressures of market forces to bring about rising employment and real income. The authors write: "This development strategy has yielded such substantial results because of the hard work and good common sense of Singapore's people and the government's willingness and ability to adapt its policies rapidly to changing circumstances, to observe the fiscal and monetary limitations needed to maintain a sound currency and balance of payments position, and to establish a relationship of mutual benefit and respect with the multinational companies upon which the city-state so largely depends for its economic growth and well-being."

the relevance

What is the relevance of the two city-states' experience to other developing countries?

There is widespread tendency in both developed and developing countries to consider the examples of Hong Kong and Singapore as irrelevant to the problems of other developing countries. But the authors do not think so. The development strategies of the two city-states are sufficiently different to constitute alternative approaches. Hong Kong is a model of how freely operating market forces intelligently supplemented by governmental policies can most effectively foster the growth of manufacturing industry for export with resulting full employment, rising real incomes and higher living standards. Singapore on the other hand is a model of how to reconcile macroeconomic management constraints on market forces with preservation of the necessary market pressures and incentives so as to foster the growth of manufacturing industry for export, with resulting full employment, rising real income and living standards. Both governments have been fully cognizant of their city-states' extreme dependence on foreign trade and the consequent necessity of keeping their manufactured exports competitive in world markets. They have learnt to live within the restraints of currency systems backed by foreign assets and to refrain in other ways from generating rates of increase of internal demand that would lead to inflationary pressures resulting in stagnant exports, rising unemployment and prolonged balance-of-payments deficits. From this it follows that to the extent to which a developing country is or wishes to become dependent on the export of manufactured goods, its government has to give a comparable priority to assuring the competitiveness of such products in world markets. This requirement is becoming increasingly important as importing countries are resorting to protectionism and discriminatory practices. There are only two ways of achieving this end. One is by allowing adequate scope for market forces; the other way is by a judicious use of macro and micro controls. The more there is of one, the less there will be of the other. But the authors have warned that "too much of each is self-defeating."

Hong Kong's private-enterprise and market-determined strategy have become relevant to the growing number of developing countries that in recent years have become disillusions with the unfulfilled expectations of detailed development planning, the inefficiency of highly protected import-substitution industries, the effects of extensive regulations of the private sector and the burdensome deficits of many government-owned-and-managed enterprises.

decentralised initiative

Some other developing countries are likely to find an active management strategy like that of Singapore more congenial to their institutional limitations and behavioural norms. But it must be realised that Singapore too relies to a very great extent on decentralised private initiative, indigenous and foreign, and on the incentives and constraints of market forces. This means countries interested in profiting from Singapore's experience need to study what Singapore's government *has refrained from doing* as well as how it has been carrying out the positive aspects of its strategy.

According to the authors two general socio-political lessons can also be learnt from the experience of two city-states. The first relates to Hong Kong's non-political system for extensive elite-group participation in the government's policy-making. The second lesson relates to Singapore's practice of improving public understanding of the city-state's limitations and accomplishments.

India should particularly note what Singapore's former finance minister once said, "....we found that the best fiscal and monetary policy....is to turn a deaf ear to the seductive appeals of the New Economics, which preaches that economic growth can be achieved by over-spending and manipulating the supply of money...."

The book is written in a very scholarly way, is full of facts and figures, historical background and objective analysis and makes excellent reading. The experience of these two cases in the otherwise struggling Asian countries should provide them with useful guidelines and proper perspective to development strategies which they have been evolving.

Development Banks

The German and the Japanese success in their experiments with specialized financial institutions for the provision of long-term finance to industries has always attracted the attention of Indian economists, industrialists, financiers and the Indian business community. Early attempts in that direction having failed, serious efforts were made to establish such specialised financial institutions after independence in response to the rising needs of the programme of rapid industrialisation which the country accepted since the beginning of the second five year Plan. The result was the establishment of specialised financial institutions like the Industrial Finance Corporation of India (IFC), state financial corporations (SFCs), Industrial Credit and Investment Corporation of India (ICICI) and the Industrial Development Bank of India (IDBI).

These specialised financial institutions have been in operation for some time now. It therefore seems logical to take stock of things and to review and evaluate their contribution to the private sector. The author of the *Role of Development Banks in a Planned Economy* has made an attempt to evaluate the role of these specialised financial institutions, commonly termed as 'development banks', in terms of the theory of economic growth, plan objectives and the industrial policy of India.

The author begins by developing a framework of the theory of economic growth to isolate such key parameters and variables as come within the influence of development banks with a view to pointing out their policy implications. This is followed by the description of the historical roots of development banks, experiments made in the advanced countries of western Europe and the factors which necessitated the establishment of the Indian development banks and their main features and objectives. He has then analysed the Indian development banks' loan and investment policies in the context of plan priorities. He has also given a survey of the criteria adopted by them for appraising loan applications, of their interest rate policy, security policy and other relevant activities. He also deals with the role of the Indian development banks with regard to their financial and non-financial activities, both in relation to the Indian capital market and to the private corporate sector. There is also discussion of the sources and uses of the funds of the Indian development banks as also of the magnitude and direction of their financial contribution to the private sector. The analysis ends with an evaluation of their performance during the Plan period.

According to the author, industrialisation having been given due attention and the problem of long-term industrial finance having been identified as one of the problems of economic growth, development banks naturally have come to be considered as an important agency to provide capital, management and entrepreneurship. According to the author, an examination of the savings and investment conditions in India shows that development banks can influence simultaneously saving and investment ratios, productivity of capital and labour and technological progress. It is clear from the survey of development banks in India that they have been profoundly influenced in their forms, functions and objectives by their counterparts in other countries. Through trial and error, they have now acquired some capacity to play an important role in the country's economic growth.

formulating policies

Since development banks have been combining both investment and development functions, it becomes necessary for them to formulate such investment, lending and interest rate policies as may enable them to discharge those functions safely and effectively. The development banks generally take into account following factors while sanctioning financial assistance: (i) national importance of the industry to which the project belongs, (ii) the competence of the management, (iii) feasibility and cost of the scheme, (iv) the nature of the security offered, (v) the adequacy of the supply of raw materials and technical personnel, and (v) country's requirements for the product to be manufactured.

The development banks in India play an important role in promoting capital market by (i) sale of their own obligations, (ii) sale of their industrial security holdings, (iii) underwriting the issues of new securities, and (iv) inducing investors' participation in their own financial operations. These institutions play also to an increasing extent these days non-financial role by undertaking functions such as promotion, and establishment and management of industrial units. They have also been undertaking economic, technical and feasibility studies.

While evaluating the contribution of development banks with the help of selected indices, the author has come to the conclusion that in certain cases the development banks' contribution has been significant while in some other respects the results have been disappointing till now. For example, the growth of index of capital formation generated by the development banks rose much more rapidly than the corresponding index for the private corporate sector over the period covered. On the other hand the contribution of the development banks seems to have failed to reduce regional industrial imbalances.

lion's share

About 70 per cent of the entire financial assistance given by these banks has gone to states of Maharashtra, West Bengal, Gujarat, Tamil Nadu, Mysore and Punjab. Of this, 25 per cent has been claimed by Maharashtra alone. According to the author, the disbursements of funds by these institutions do not seem to have got concentrated in the hands of any particular business group. These institutions have also made contribution to the diversification of industrial investment which appears to be in conformity with the overall industrial investment pattern laid down in the five year plans.

In the light of his survey and analysis of the role played so far by the development banks in India, the author has made some suggestions to make their functioning more effective. It is highly probable that the existence of a number of development banks in both the public and private sectors may mean some duplication of efforts which poses problems of coordination and wasteful administrative expenditure. The author has suggested that the Reserve Bank should be encouraged to tighten its control over the development banks to coordinate their activities more effectively. The development banks should receive closer supervision than they have received so far. The author is of the opinion that the merger of all the development banks into a single unit with branches spread all over the country might improve the coordination of activities. There are various alternatives open and the author believes that the question of the best methods to increase the effectiveness of these institutions is not easily answered.

The greatest financial need in India at present is to mobilise private savings available for investment in the private sector. Though by doing some amount of underwriting work, the development banks have to some extent strengthened the Indian capital market, the author is of the opinion that better and more effective and suitable credit instruments should be devised to obtain access to the private savings and thereby reduce their reliance on the government and the Reserve Bank of India.

training the managers

In view of the limited role played by development banks in providing non-financial assistance, the author has suggested that Indian development banks should organise separate units to undertake economic studies and survey work to produce information on prospective investment opportunities. They should train and provide managerial and technical personnel for whom there is great demand in the private sector. Alternatively they should provide financial assistance to educational institutions that sponsor educational programmes to train personnel in the technical fields. The development banks should also provide expert assistance on finance, management and marketing, and technical and legal advice for purposes of scrutinising investment proposals so that prospective entrepreneurs might be better informed on profitability of their new ventures.

While the book is good in parts and succeeds in giving readers some idea about how development banks in India are functioning, it is unsatisfactory in other parts. It is surprising that in a book published in 1974, the author is content with figures only up to 1966, though latest figures are already published. Also his suggestions might not prove to be very useful. Entrusting additional functions of coordinating and supervision over these institutions to the Reserve Bank of India appears to be out of question as the Reserve Bank is already so much burdened that it is unable to perform even its purely central banking functions satisfactorily. There is a chorus of protest that the Reserve Bank be divested of these functions so that it can play more effectively its regulatory role.

Reserve Bank of India

What is the status enjoyed by the Reserve Bank of India? Has there been any deterioration in its legally autonomous status in recent years? What is the nature of its relationship with the finance ministry? Is the relation ideal so as to enable the country to follow a properly coordinated policy to attain desired goals? If the existing relations between the Reserve Bank of India and the treasury are unsatisfactory and subversive of the status of the Reserve Bank of India to the detriment of the national interests, how should we proceed to set the matters right? These and similar questions regarding the Reserve Bank of India and the treasury have been agitating the minds of all those who are interested in monetary economics.

Central Banks and Treasuries which analyses the relationship between the central banks and treasuries in different countries of the world including India, is based on Dr. Mujumdar's dissertation for Ph.D. degree of Calcutta university prepared under the guidance of late Dr. S. K. Basu.

intimate relationship

The findings of Bani Mujumdar are not novel to the students of monetary economics. The relationship between the central banks and the treasuries in different countries of the world are intimate, especially so in developing countries. This is inevitable in view of the fact that monetary policy is just one aspect of the general economic policy and the objective of monetary policy is part and parcel of general economic objectives. But often it so happens that policy goals come into conflict making it impossible to maintain monetary equilibrium in the economy. Responsibility of the treasury to manage public debt in such a manner as to help the Finance ministry to meet budget deficits often compels the central bank to subordinate its monetary policy and objectives of monetary policy to the objectives and interests of the treasury. The conflict of interests between the central bank and the treasury becomes particularly acute during periods of inflation when budget deficits are particularly pronounced. Dominance of the treasury over the central bank is a universal phenomenon, especially so in developing countries.

According to the authoress since the time inflationary pressures appeared in India under the pressure of development planning, the usually close relationship between the Reserve Bank of India and the finance ministry have become rather strained. The strained relationship between the two is due to the inability of the Reserve Bank to maintain monetary equilibrium in the face of budget deficits and public debt management policy of the Finance ministry. In fact, the Reserve Bank of India has never enjoyed the freedom and autonomy enjoyed by its western counterparts like the Bank of England and the Federal Reserve System of the USA. For quite sometime, according to the authoress, it has been practically deprived of an autonomous status and has been reduced to the status of an instrument to serve the financial interests of the government of India. One is inclined to think that whatever the provision in the act, the Reserve Bank of India right since its inception, and especially since the outbreak of world war II has always acted as a passive instrument in the hands of the Finance ministry to help realise whatever objectives the later had in mind. Since the appointment of bureaucrats to the position of the governorship of the Reserve Bank of India, even the facade of autonomy which the Reserve Bank outwardly maintained formerly has been cast aside and for all practical purposes it has now become a submissive agent of the finance ministry. At no time after the country became independent has the position of the Reserve Bank of India been ever comparable to that of the Bank of England or the Federal Reserve System.

subservient body

The authoress writers: ‘Concentration of all powers in the central government rendering the Reserve Bank into an advisory body to the government or into a mere agent to carry out governmental orders vitiates the principles of checks and balances and goes against the dictates of democracy. Any government, subject to various undesirable political and group pressures may not be able to meet the changing needs of a growing economy and to maintain a strong viable competitive banking structure. A non-political autonomous institution like the Reserve Bank is a more desirable authority for the banking system. A democratically constituted policy co-ordinating council to decide on conflicting issues would be a proper step to establish satisfactory relationship between the Reserve Bank and the treasury.”

The authoress is interested not only in the structural aspect of the Reserve Bank of India but also in its financial working. She has given a comprehensive analysis of the sources, size and techniques of government borrowing in the planning era and has shown how this has created unprecedented liquidity in the Indian economy. In the light of this analysis, she has developed criteria for maintaining ‘safe level’ of money supply in the economy. She has put forward suggestions to utilise debt management policy along with general and selective instruments of credit control to maintain ‘an optimum money supply’ in the Indian economy.

In his learned foreword Dr P.R. Brahmananda has also rightly emphasised the necessity of restoring the authority of the Reserve Bank so that it can follow a bold monetary policy of “enforcing an annual ceiling on the rate of growth of money supply and of establishing, if necessary, also an optimum level of money stock in the economy.”

The book explains adequately the mechanism through which inflationary pressures are being generated in the Indian economy. The book also highlights the necessity of reviewing and re-establishing on a satisfactory basis the relationship between the central bank and the treasury, especially in developing countries like India.

Economics of Agriculture

Readings in Economics of Agriculture is one of the famous series brought out by the American Economic Association. To their readings in international trade, income distribution, price theory, business cycle theories, fiscal policy, monetary theory and taxation, this new volume has been added. It is in line with the traditions set by the Association, though one fails to understand why the volume on the subject of agriculture which should have been the first in the series, considering the vital importance of the subject and the threat of food shortages looming large at present, should have been so long in coming!

As pointed out by the editors, perhaps the most significant contribution of agricultural economics to economic research has been due to “the application of quantitative methods to the analysis of economic problems and issues.

The second major area where agricultural economists have made substantial contribution is production economics. This contribution includes topics such as input-output relations in agriculture, the empirical estimation of diminishing returns function, development of farm budgets, analysis of specialisation and comparative advantage, and evaluation of success of farmers in the maximisation of income from given agricultural resources.

The third area where substantial contribution has been made by agricultural economists is in the study of governmental policy in regard to agriculture.

The fourth area (and from the point of view of developing countries, possibly the most significant) where significant contribution has been made and is yet coming from agricultural economists is the role of agriculture in economic development. Since the agricultural surplus could not have come only because of conventional inputs, agricultural economists have been rightly emphasising structural changes in agriculture as also the role of research and education.

From the point of view of students of developing countries only the sections on ‘Economic Development’ appears relevant.

Thus T.W. Schultz in his ‘Reflections on Poverty within Agriculture’ has emphasised the very important point that is of great significance to countries like India. He writes: “the cultural impediments are indeed a heavy burden ... it is no easy matter for people to pull up their roots and leave the folk society with its strong local-personal-informal relations, and transplant themselves into an impersonal—formal, less locally oriented, urban-minded community. The economist must leave it to the sociologist to isolate and identify the nature of these cultural impediments; the economists, however, can and should come to grips with the ‘cost aspects.” It appears that it is the neglect of these cultural aspects that has been responsible to a great extent for the failure of our agricultural policies.

process of transformation

‘The Role of Agriculture in Economic Development’ by B.F. Johnston and J.W. Mellor is another article that is of significance to developing economies. The authors have emphasised that “rural welfare as well as overall economic growth demand a transformation of a country’s economic structure, involving relative decline of the agricultural sector, and a net flow of capital and other resources from agriculture to the industrial sector of the economy.” They have also pointed out that contribution of agriculture to the requirements of development capital is especially significant in the earlier stages of the process of growth, though it will not be so crucial in countries which have the possibility of securing a sizable amount of their capital requirements by export of mineral products or in the form of foreign loans and grants.” According to the authors, policies that take account of this process of transformation and its implications are in the long-run in the interest of the farm population as well as of the country as a whole.

Although the authors have stressed the importance of agriculture’s role in economic development, they part company with those who advocate the view that agricultural development should recede or take priority over industrial evelopment. Their contention is that alanced growth' is needed in the sense f simultaneous efforts to promote agriultural and industrial development. While recognising severe limitations on he capacity of an underdeveloped ountry to do everything at once, ccording to the authors, it is precisely his consideration that underscores "the mportance of developing agriculture n such a way as both to minimize its emands upon resources most needed for ndustrial development and maximize its et contribution to the capital required or general economic growth."

Writing on "An 'Agricultural Surplus' s a Factor in Economic Development", V. H. Nichollas has stated that "The ndervaluation of agriculture is particularly likely to occur within the shortun context of the next several five-year lans of most of today's over-populated ountries. According to the author, the utcome of such a development would be nfortunate for three reasons. First, ven if agriculture is traditional in nature, lans which fail to do anything about it an quickly bring any initial growth of he industrial sector to a halt as further atural increase compounded by a high ncome elasticity of demand turns a nodest food surplus into a food deficit, with concomitant inflation and diversion of carce foreign exchange to food imports.

Second, because their techniques of production are still so primitive and productivity so low, the overpopulated ountries still have tremendous opportuities to increase food output by relatiely moderate doses of capital into smallcale operating units. Finally, for such ountries, international comparative adantage is far more likely to rest initially with agriculture than in manufactures. ndian agricultural policy-makers should ake note of all the above three consideraions which are vital for the country's conomic development.

Most of the authors in this book are mericans and naturally they have certain et of values and institutional and historial restraints which are reflected in their writings. The consequence is that the igh level of sophistication of most of the rticles makes them of little practical tility to countries like India at this stage f their economic development. And yet he book is in the best tradition of the ublications of the American Economic Association and is a 'must' for students lesiring to specialise in agricultural conomics.

Treatise on Inflation

As the prices are sky-rocketing, tempers of the people are getting inflamed and are resulting into an outpouring in the form of articles, memoranda, seminars symposia and books, not to speak of protests, gheraos and processions. Lenin hit the nail on the head when he said that if you want to destroy capitalism (any non-communist system for that matter), debauch its currency.

And so there was another seminar in Madras in December 1973 on this extremely topical subject of inflation in India wherein some 22 learned papers were submitted and debated and have come to be finally incorporated in *Inflation in India* which incidentally happens to be one of the most exhaustive and best volumes written on the subject.

The introductory speech by H.V.R. Iengar is an usual spirited and thought-provoking, based as it on conviction born out of long experience of political world, monetary economies and business environment. Iengar appears to have arrived at the conclusion that it is not so much the economic factors as the moral ones that are gnawing at the roots of our economy now in the thraldom of inflation. And therefore he comes out at the end with this: "We have all the necessary qualities in our country for sustained economic growth, namely intelligence, a capacity to acquire skills, a capacity to do hard work..but the only element which is lacking is great moral leadership which will forge these qualities into an effective weapon against the scourge of poverty. If such leadership is not forthcoming, there is little hope that we will be able to prevent inflation from leading us down the slippery path." How true!

The inaugural address was delivered by C.N. Vakil who at present (along with Dr P.R. Brahmananda) appears to be very much at the centre of debates on inflation. In his extremely comprehensive and competent review of this whole process and phenomenon of Indian inflation, C.N. Vakil has come out with two very constructive suggestions of far-reaching significance. He has stressed the need of a definite *expenditure policy* of which he has enunciated principles in detail (p 25) and of which the spendthrift government of India should take note, if it is sincere in its pronouncements on fighting inflation. His second suggestion that "all political parties should agree in having competent persons well-versed in Finance to hold the Finance portfolio, both at the centre and in the states, irrespective of political consideration," though well-meant and technically sound, is politically inexpedient. And is there a guarantee that this proposal, if carried out will produce desired results? Had we not a philosopher president and a most erudite and knowledgeable professor as the chief planner? What happened? They all showed the same weaknesses the human flesh is heir to!

R. Venkataraman has complained that planners were prone to overestimate the resources and underestimate the costs and has recommended maximisation of production in every sector as the only answer to inflation. He has made a number of suggestions to control inflation —raising loans from non-banking public, speedy assessment and collection of taxes attractive interest rates on long-term deposits to mobilise saving, selective credit squeeze to curb hoarding and black marketing and abandonment of deficit financing as a source of Plan finance.

P. R. Brahmananda holds the view that the inflationary situation in India is different from inflation in other countries. He calls this 'statflation' as there are inflationary conditions and a stationary

Eastern Economist 30 Years Ago

NOV. 3, 1944

Recently too much has been heard of the argument that because is no outside rice producing area to come to the rescue of this country and relieve the serious shortage, people whose staple diet is rice should reconcile themselves to the situation as something which cannot be helped and supplement their rice consumption with the intake of other foodgrains. There is nothing inherently unjustified in such an appeal being made to the public and the government may be entitled, in the abnormal conditions of war, to impose on the people the burden of making essential adjustments. But the pertinent question is whether, in this particular case, the necessity for calling upon large masses of people to change their habits of a lifetime at short notice could not possibly have been avoided. In other words, can it be claimed that the rice shortage, at least in its present magnitude, is in any sense inevitable? Ruling out imports — and imports were never of considerable importance relative to domestic production and were wont to oscillate before the war about the two million mark — what exactly have the authorities achieved by way of increasing the country's output? It may be made clear at the outset that not much can be blamed on that mute and much-enduring scapegoat, the weather. In spite of the proverbial vagaries, there has generally been a rough correspondence between acreage and production, if allowance is made for statistical deficiencies economy. (Has he not noted that in England and in some other countries inflation and rising unemployment are going together?) He has suggested a 30 per cent once-over cut in money supply, money incomes and prices in the country. (This measure was once recommended by Pigon and tried in England.) He has further recommended gold sales to withdraw excess money from circulation. P. R. Brahmananda seems to be mostly dealing with the 'existing stock of money. But what happens if the flow of money incomes continues unabated?

K.S. Upadhyay has put forward a novel point of view. He has observed that "the quantity theory was not a theory of inflation." He is of the opinion that it is not the quantity of money in the economy that is important but how the available money is spent. He feels that the emphasis should be more on the pattern of expenditure rather than on the mobilisation of resources. He has suggested 'balanced allocation ratio' between (i) projects with long gestation period and (ii) projects which involve crash programmes for mass production of wage goods. He has also advocated a 'disparity' tax measure aimed not just at curbing consumption of luxury goods but also at curtailing the production of such goods.

H.R. Machiraju has come with strong proposals to put restraints on public expenditure. He wants parliament not to vote expenditure proposals if they are not accompanied by proposals to raise required monetary resources. He has proposed freezing expenditure at the present level, perquisites not to be tax-exempt and elimination of food subsidy. V. K. Narasimhan on the other hand has emphasised the inadequacy of the administrative system in the country which has changed the economy into a high cost economy.

We have met most of this before. And yet if any one wants to have comprehensive view of the developin inflationary situation in India, he ca rely on this single book, the utility c which has been enhanced by the inclusio of excellent statistical tables at the end.

This book brought out by the Inst tute for Financial Management an Research, Madras, is a worthy successo to their previous publication on th 'Reform of the Indian Banking Systen which was reviewed in these columi sometime back.

Books received

Planning in India: H. V. R. Iengar; The Macmillan Company of India Ltd, on behalf of the Institute for Financial Management and Research, Madras, 2/10, 4252, Ansari Road, Daryaganj, Delhi 110 006; Pp. 84; Price Rs 16.00

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Agricultural Taxation and Intersector Resource Transfers: Stephen R. Lewis, J Stanford University, Stanford, Califor nia, USA; Price $1.00

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TRADE WINDS

Wheat Trade Takeover in Punjab

The Punjab government has taken over the wholesale trade in wheat by imposing a stock limit of 100 quintals on dealers and "chakkiwalas" in the state. Minister of state for Food and Supplies, Gurdarshan Singh told newsmen that central approval for the take-over had been obtained. The limit of non-levy wheat stocks for private traders had been reduced from 2,500 quintals to 100 quintals and the trader-to-trader transactions have been banned. Two months' stocks limit has also been imposed on the roller flour mills on the basis of their last year's performance. Accordingly, the Punjab Wheat Dealers' Licensing and Price Control Order has been amended. As a result of the measure, the state government expects to purchase nearly 100,000 tonnes of surplus wheat from the dealers at a price of Rs 139 per quintal. Mr Gurdarshan Singh stated that the state government would further sell the same wheat at the price of Rs 150 in view of additional charges of handling and transportation. The purchases would be made by the state Food Department. Later the stocks would be handed over to the Food Corporatibn of India. In view of this, he said, the state government would ask the centre to abolish the levy order.

As a result of the amendment, trader-to-trader transactions have been banned and no dealer would be able to sell wheat to the consumers above the maximum price of Rs 139. Through these orders, the state government has finally fixed a ceiling price on the levy-paid stocks at Rs 139 a quintal which does not include the cost of gunny bags and transport handling charges. The charges do not exceed Rs 11 on a quintal in any case.

Joint Ventures for Agriculture

Union minister for Agriculture, Mr Jagjivan Ram, stated recently that the government would provide "every possible assistance" to manufacturers of agricultural implements for "joint ventures and mutual cooperation" with foreign firms. The minister was inaugurating the Internal Agricultural Machinery Manufacturing Development Clinic, organised jointly by the government and the United Nations Industrial Development Organisation. Delegates from 17 countries attended the 10-day clinic. The clinic aims at bringing potential entrepreneurs and government officials of underdeveloped and developing countries in contact with manufacturers and government officials in a developing country to facilitate and promote the transfer of technology in the manufacture of farm equipment. Mr Jagjivan Ram stated that he attached the greatest importance to the idea of transfer of technology from the more developed countries to the less developed ones. India had already made much progress in the manufacture of agricultural implements and machinery. The total value of production in the small sector alone was estimated at Rs 100 crores. The minister hoped that Indian manufacturers would be able to share their technological know-how with countries keen to seek their assistance. India was willing to train technicians and engineers from abroad and was also prepared to send experts to countries for the preparation and execution of project reports. Mr Jagjivan Ram felt that a policy of "selective and balanced mechanisation of agriculture" had to be pursued in areas where there was a shortage of agricultural labour.

New Criterion for Licences

Production capacities in industrial licences henceforth will be shown in terms of physical units rather than in terms of monetary value. This decision, which was taken by the union government nearly two years ago, is being implemented now because in the context of the present trend of prices, industrial capacities which had been expressed in terms of value, have become out of line with the actual physical installed capacity and are liable to undergo changes from time to time. This facility will not be available for enhancement of capacity beyond the level which corresponds to the monetary value as contained in the industrial licence as on the date of the issue of the licence and also where any installation of indigenous or imported machinery is involved. The delay in the implementation of the government's decision stemmed from two major factors : one, difficulties in arriving at the corresponding physical units; and two, the parties had applied for industrial licences expressing industrial capacities in terms of the value of output. Owners of industrial undertakings holding industrial licences with capacities expressed in monetary value terms are advised to apply to the joint secretary in administrative charge of the industry concerned for the necessary amendment.

Bauxite in Orissa

The Geological Survey of India (GSI) has located an extensive deposit of bauxite over an area of about 4.5 km near Pottangi in Koraput district of Orissa. It is estimated that at least 50 million tonnes of bauxite is available in the area. Prospecting of the area was started by the GSI in January, 1972. Tests were conducted to locate the minerals at different places till November, 1973. The alumina percentage varies from 43 to 52 while the iron content is between 13 and 30.

Manufacture of Mini-Buses

The government has permitted passenger car manufacturers in the country to utilise their capacity for the manufacture of mini-buses. While Hindustan Motors, manufacturers of Ambassador car, and Standard Motors, manufacturers of Standard Herald, will be allowed to utilise their full capacity for mini-buses, Premier Automobiles, manufacturers of Premier President (formerly Fiat) will be allowed to switch over only up to 50 per cent of their capacity for mini-buses. The government's decision follows the representation made by the car manufacturers that they were not able to utilise their full capacity due to a fall in demand.

Indo-Soviet Trade

The first round of Indo-Soviet talks for 1975 trade plan began recently in Moscow, soon after the arrival of a six-man Indian team, headed by the Joint Secretary in the ministry of Commerce, Mr A. S. Gill, Mr Bose-Mullick, Secretary in the ministry of Commerce dealing with Export Production, also joined the talks later. The talks will be followed by the second round in Delhi, in December, when the protocol for 1975 will be finalised and an outline worked out for the long term 1976-80 trade agreement.

Tehran Trade Fair

Indian business firms, participating in Tehran International Trade Fair concluded export contracts for nearly Rs 3 crores while several other contracts were under negotiation. In addition, firm orders worth over Rs 20 lakhs had been contracted for products including diesel engines, bicycles, tea, padlocks, grinding wheels, planetary mixer, and strip packaging machines, steel bars, fluorescent chokes, duplicating machines and hardwares. Another important contract bagged by a participant will result in power stations being set up in that country costing two million dollars.

Courses for Development Finance

Middle-level executives of development finance agencies from various Asian countries are attending a 45-day training course which began in Bombay recently. The programme has been organised by the Reserve Bank in collaboration with the Asian Development Bank (ADB), (Manila). The number of "trainees" is 27 representing Bangladesh, Burma, Fiji, India, Indonesia, Korea, Nepal, Sri Lanka, Thailand, Vietnam and Western Zamoa.

Yarn Unit in Kenya

A synthetic yarn plant costing 5.3 million Kenyan pounds (£6.2 million) is to be built at Thika, near Nairobi, a joint venture between Kenya and an Indian company. The plant will be able to produce more than five tons of nylon and rayon yarn a day, according to the ministry of Commerce and Industry. The project is a joint venture between the Kenyan Industrial and Commercial Development Corporation and J.K. Synthetics of India and will employ 1,000 persons.

UNIDO Contribution

More than $3.5 million was pledged recently to the United Nations Industrial Development Organisation for 1975. Of the 142 member nations, only 69 delegations made pledges. A number of countries revealed that they would announce their contributions later, while others stated that they would contribute to the work of UNIDO through their contributions to the UN Development Programme, the world organisation's principal and largest channel for multilateral technical assistance to developing countries. Established in 1967, UNIDO's main objective is to promote industrial development in backward countries.

Unit Trust

The first quarterly figures (July to September) released by the Unit Trust reveal that the trust is having a very tough time — perhaps the worst it has had since its inception. As against the sales of Rs 9.17 crores in the first quarter, repurchases have amounted to Rs 6.44 crores. But these repurchases cover a period of only two months since no repurchases are effected in the first month of the year. In the corresponding period last year sales had amounted to Rs 19.42 crores and repurchases only 67.60 lakhs. Reports are that repurchases in the current month might exceed sales of units. The unusually large repurchases reflect the marked deterioration in investor's confidence following the drastic restrictions on dividend payment.

MRTPC on Nylon Yarn Agreement

The "voluntary agreement between the major spinners of nylon yarn and weavers' association relating to price and distribution of nylon filament yarn has been held to have resulted in restrictive trade practices by the Monopolies and Restrictive Trade Practices Commission. The commission in its majority judgment delivered recently on four preliminary issues, also observed that neither the correspondence carried on between the Textile Commissioner and the spinners nor the replies given by a minister in Parliament could be regarded as a decision of the government approving the agreement. Ordering the spinners — J.K. Synthetic Ltd, Kanpur, Garware, Nylon Ltd Bombay, Nirlon Synthetic Fibres and Chemicals Ltd, Bombay and Modipon Ltd Modinagar — to pay Rs 3,000 as the costs of the hearing to the Director of Investigation of the Commission, who was conducting the proceedings. The commission adjourned the hearing of the main inquiry to enable the spinners to show why the agreement was not prejudicial to the public interest and why the agreement should not be declared void.

After receiving a complaint from the Crimpers Association in November 1973, the Commission ordered a suo-moto inquiry under section 37 of the MRTP Act and served a notice on the parties to the agreement to show why action should not be taken. The notice, *inter alia*, alleged that the agreement restricted the classes of persons to whom supply of nylon filament yarn should be made to the exclusion of others, prevented competition in the supply and distribution of yarn and withheld supply of yarn to crimpers, maintained prices at unreasonably high levels by manipulating production and supply of yarn, forced the crimpers and other buyers of nylon filament yarn who had not purchased yarn from the major spinners in 1972-73 to buy yarn on onerous terms and conditions, fixed price schedules which had had the effect of eliminating competition and prevented entry of new persons into the business of crimping and weaving. The spinners mainly relied on the validity of the agreement they had entered into the weavers' associations at the behest of the government, "which was perhaps unwilling to impose statutory control over prices and distribution of nylon yarn or enforce the prices fixed by the Tariff Commission".

Diversification of Machine Tools Units

The government announced "full freedom for diversification of production" to machine tool industries within the overall licensed capacity of the undertaking on the basis of a special approved procedure. This announcement is in continuation of the March 1974 order liberalising diversification in machinery industry. Undertakings engaged in manufacture of machine tools possess the flexibility to produce diffe-

FRESH SPOORS
OF A MAN-EATER
AND HENRY'S
HALF SMOKED
CHARMINAR
CMVS-118-102

nt types of equipment based bstantially on the same fab-cating facilities but with ppropriate changes in the de-gn and engineering inputs. ccordingly any industrial un-rtaking currently holding a cence for manufacture of one more items failing under c scheduled industry No 9 machine tools", will be eli-ble to undertake the manu-cture of any other item fall-g within the existing overall censed capacity for such ems,"the announcement said.

ONGC Reorganisation

The minister for Petroleum nd Chemicals, Mr K.D. Mala-iya stated recently that the overnment was actively en-aged in the process of restruc-uring of the Oil and Natural Gas Commission and that it vould be possible to take de-isions in the next few weeks egarding the nature of rela-ionship that should exist etween the government and he Commission in order to nake the latter an effective nstrument of oil exploration. The minister pointed out that nore powers had to be given o an organisation like the ONGC in the interest of speedy lecisions and effective func-ioning. In turn the ONGC eadquarters had to delegate uthority to people working on projects. Mr Malaviya vho was addressing the con-cluding session of the meeting of the Consultative Commi-tee of the Petroleum Ministry aid that the only hope for urvival of the Indian econo-my lay in rapidly increasing he tempo of oil exploration on land and offshore within he country and extending this ctivity to other countries as vell.

Freight Increase to Europe

Shipping conference cover-ng the trade to Europe from India, Pakistan and Bangladesh recently announced a 12½ per cent increase in freight rates effective from January 1 next year. In a notice to shippers, he Karmahom conference, re-presenting liner vessels of foreign and Indian shipping companies on this route, stated that the new rate will be applicable to all vessels commencing to load at individual ports in India, Pakistan and Bangladesh on and after January 1, 1975. It stated that the new rate had been fixed after a series of discussions between the conference representatives and shipping councils of the three countries.

Panel for Handlooms

The government has decided to set up a high-level inter-ministerial committee to process the recommendations of the Sivaraman Committee to resolve the problems of handloom sector. The committee will be headed by Mr S.G. Bose Mullick, Secretary for Export Production. The committee will consider each recommendation in depth and suggest decisions to be taken on them. The Sivaraman Committee has made 32 main recommendations. The ministry has received several representations characterising Sivaraman Committee's recommendations as "lopsided and biased against the power-loom sector."

Rural Banking

The rural banking in India is to undergo radical orientation. A high-level ministerial committee has recommended an ambitious programme to restructure rural banking to reach some 35 million small and marginal farmers in a ten-year period. The committee is believed to have recommended that the main responsibility for making the change—which will bring about a fundamental improvement in the rural economy—should be squarely placed on the nationalised banks.

The union government set up this committee following a finding of the banking department of the union Finance ministry that the existing system continued to be predominantly urban-oriented and could not take adequate care of the rural needs. Though the nationalised banks have opened branches in an unprecedented manner in the last five years, it was clear that they had not served the major purpose of helping the small man in the villages.

Though banking has been recognised as an important instrument to help the development needs of the villages as a whole, experience had shown that there had been either diversion of funds from the backward region to more advanced areas and from rural areas to the cities to feed the industrial complexes. The government's aim was to change the trend in favour of the villages. The committee has recommended the routing of all credits to the small and marginal farmers through a network of farmers' service societies. The branches of the nationalised banks should make available—taking the initiative—managerial expertise and ensure control of the societies only by small farmers. The societies could also help mobilise and inculcate the habit of rural saving and gradually replace the moneylenders.

The committee was appointed in June last to formulate a suitable institutional structure for rural banking. It has suggested that the national banks should open at least 4,000 more branches in the under-banked areas to provide banking facilities to the masses. The crux of the committee's recommendation is that the "total developmental needs of the small farmers can only be met by helping them organise into multi-purpose farmers service societies. The National Commission on Agriculture had recommended the setting up of such societies to help lift the small farmers above the poverty line. Secondly, the nationalised banks will have to take the initiative in organising the societies, financing them, providing the management expertise and ensuring control by small farmers.

The committee has recommended that the farmers' service society should be equipped with capacity to provide technical advice such as soil data, seeds, fertilisers, credit and even marketing needs of the small farmers.

Readers' Roundtable

suppressed inflation

Sir, it is said by some that there is no price rise in communist countries. This is incorrect.

Communist countries suffer from *suppressed inflation*. It is manifested by rationing, long queues and the piling up of savings bank deposits since there are no avenues for spending the money.

Secondly, the cost of living index does not give a true picture of prices. The central planners arbitrarily fix prices of all commodities without reference to either their cost of production or availability. The cost of living index, thus compiled, remains static over a period of years while goods are not available.

Thirdly, there is a dual pricing and supply system. Members of the ruling party (which is a monopoly) buy from special shops both local and imported articles at subsidised prices while the masses are denied these things.

In addition to all this, many communist countries, under arrangements like the Rupee Payments, drain away commodities like oils, coffee etc. at rock bottom prices from countries such as India to augment their own stocks. For this, however, they should be complimented on their shrewdness. It is the folly of our authorities that they allow such arrangements which deprive the country of essential items and increase inflation.

(M. R. PAI)

Bombay
Oct. 24, 1974

COMPANY AFFAIRS

Further Gains

THE STOCK market inched its way further up during last week. Several pivotal shares gained ground on fresh support and hectic bear covering. The volume of business was good and the undertone at the close was steady. Expectations that the new credit policy for the busy season to be announced by the Reserve Bank on October 29 would have a distinct production and export bias and hopes of imminent announcements of decontrol of various items such as steel, cars and cement were largely responsible for the fresh support to select shares. Operators were also optimistic about the outcome of the forthcoming talks between Dr Kissinger and the union ministers and other high government officials. The flow of encourraging corporate news during the week in the shape of good performance by companies such as Ashok Leyland, Greaves Cotton, Hada Steel, and IDL Chemicals (formerly Indian Detonators) also enlivened the market sentiment.

Dalal Street opened the week on a subdued note but equities started recovering fast in the following days. The week, however, ended on an easy note. Among leading scrips, NOCIL ruled firm on expectations of a bonus issue. Gujarat Fertiliser moved irregularly on alternate bouts of buying and selling. Century, Tata Steel, Telco, Scindia, Indian Dyestuff, Baroda Rayon and Garware ruled steady. With a moderate turnover the Madras stock market was steady last week. The sentiment showed some improvement on hopes of a welcome change in the credit policy. Textiles and chemicals attracted interest. Sugar scrips were not active. Plantation shares were dull and inquiries were of a very limited nature.

Ashok Leyland

Ashok Leyland has announced that the financial year just ended September 30, 1974 has been—by a wide margin—a year of record production and sales in the company's history. During the year sales of the very popular Comet range of vehicles were 6786—over 2000 chassis more than were sold in the previous year. Sales of the heavier types of vehicles, Beavers and Hippos, also show a significant increase at over 500. The company's range of industrial and marine engines also achieved record sales of 731 as compared with the previous record of 523. To meet the great demand for spare parts, sales were at a level equivalent to 140 per cent of the previous year's level. Sales to export markets of spares, also showed an improvement of 154 per cent. These record figures have been achieved despite the very serious power cuts and the problems of obtaining materials and components. The achievement is due to the very significant and active cooperation of all the employees and suppliers, more effective planning and greatly improved internal efficiency. Meanwhile Leyland has won a valuable export order for bus chassis.

The contract for the supply of 250 chassis to the Ceylon Transport Board, Sri Lanka, has just been finalised. It is significant to note that this order represents the entire requirement of the Ceylon Transport Board for the year 1974-75. The CTB has always been a major purchaser of Ashok Leyland vehicles, and currently has a total fleet strength of over 6000 vehicles—the largest in the world—of this, the Leyland share is well over 60 per cent. For the past twelve years, the CTB has regularly placed repeat orders for Ashok Leyland vehicles together with large orders for spare parts. Ashok Leyland's recent performance in the field of commercial vehicles and bus exports has been extremely commendable. The company has made rapid progress and its products have been very well received in countries, ranging from Hong Kong, through the Middle East to the distant West Indies. Ashok Leyland is now actively engaged in securing export orders to meet its export target of Rs 5 crores during 1974-75.

Greaves Cotton

Greaves Cotton & Co has fared extremely well during year ended June 30, 1974 with sales, profits and profitability recording considerable improvements over the previous year's encouraging performance. The company has earned during the year under review a pre-tax profit of Rs 2.21 crores as against Rs 2.14 crores during the 15-month period ended June 30, 1973. Its sales amounted to Rs 42.57 crores as compared to Rs 43.24 crores in the preceding year.

On a proportionate basis sales are up by 23 per cent and the gross profit by 30 per cent. The directors have proposed a dividend of 12 per cent, the maximum permitted for 1973-74. For 1972-73 also the company paid the same dividend of 12 per cent. Out of the gross profit, the directors have appropriated Rs 10.70 lakhs to depreciation reserve, Rs 1.70 lakhs to development rebate reserve and Rs 113.00 lakhs to taxation reserve
against Rs 9.86 lakhs, Rs 0.
lakh and Rs 93.40 lakhs pr
vided respectively in the pr
vious year. Sales in the first q
arter of the current year an
the order position nearly ind
cate a substantial improv
ment in turnover and prof
during the current year.
higher export performance
also anticipated. Durin
1973-74 exports were of th
order of Rs 2.83 crores, a
improvement of Rs 1.83 crore
over the preceding yea
Greaves light engineerin
division, paper cone and tub
unit and diamond drill bit
department improved the
production and profits. I
Nasik rolling cutter rock bi
project is expected to be com
pleted in the third quarter
next year after delay of mor
than a year owing to th
shortage of cement, steel an
protracted deliveries of equi
ment.

Universal Steel

Erratic power supplies an
drastic power cuts in th
Haryana state, has adversel
affected the manufacturin
operations of Universal Ste
and Alloys Ltd during th
year ended April 30, 1974
Consequently production
steel ingots during the yea
was only 7,798 tonnes as ag
ainst the installed capacity
10,800 tonnes. With an in
provement in power suppl
position the company's pe
formance is expected to im
prove substantially. The secon
arc furnace with an annu
production capacity of 18,00
tonnes has been installed an
is expected to be commissione
shortly. A term loan of Rs
lakhs has been sanctioned
Oriental Bank of Commer
Ltd to meet the expansion co
of installation of second a
furnace. The company h
also taken up the manufactu
of special and alloy steels f
which there is a great dema
in the country at present. Sal
during the year amounted
Rs 120.65 lakhs while gro
profit amounted to Rs 17.
lakhs. Out of gross profit,
sum of Rs 6.99 lakhs was a
propriated to depreciation
serve while a sum of Rs 8.

lakhs was provided for meeting finance charges, leaving a balance of Rs 1.80 lakhs. After adjusting the brought forward loss of Rs 4.88 lakhs, a deficit of Rs 3.08 lakhs is being carried forward. As there is no assessable income the development rebate reserve has not been created. The company is entitled to claim development rebate in the year in which there are assessable profits, amounting to about Rs 16.52 lakhs.

U. P. Scooters

U. P. Scooters Limited, Unnao, to which an industrial licence for the manufacture of 24,000 scooters per annum was granted by the ministry of Industrial Development, commenced production of 'Rajhans' scooter on a commercial scale a few months back. More than 250 'Rajhans' scooters are on roads. At present the production rate has reached to 10 scooters a day, which is likely to rise by January, 1975 to 40 scooters a day. According to the phased manufacturing programme, U.P. Scooters Limited will manufacture 12,000 scooters in the year 1975 and 24,000 scooters per annum thereafter. Out of 23 new units to whom Industrial Development ministry had issued letters of intent for the manufacture of scooters till May, 1971, U.P. Scooters Limited, is the only unit which has put its production on roads, without any financial assistance so far from any financial institution or the government. The total investment in U.P. Scooters Ltd is of the order of Rs 402.69 lakhs. This has been financed by the share capital of Rs 160 lakhs, loan in foreign currency of Rs 44.23 lakhs, long-term loan from financial institutions of Rs 198.46 lakhs, making a total of Rs 402.69 lakhs.

'Rajhans' Scooter is the only one out of the existing brands of scooters produced in the country, which is based on 100 per cent indigenous parts and components and has been developed with purely indigenous technical know-how without any foreign collaboration. It is claimed to be unique in many respects. Its fuel consumption is very low being 45 to 48 km. per litre and has a maximum speed of 90 km. per hour. Another important feature of 'Rajhans' is that it has been developed keeping in view the needs of both rural and urban areas. Besides, the Rajhans scooter, fitted with 150 c.c. two-stroke, shaft driven, extra-powered noiseless engine has got four gears, making it suitable for long runs and high ascents while the fourth gear assures of smooth and silent performance.

Indian Aluminium

The board of directors of Indian Aluminium Company Ltd has decided to make the final call of Rs 5.00 per share on the partly-paid ordinary shares issued on March 26, 1974. Out of this final call, Rs 2.50 per share will be credited towards par value and the same amount towards premium.

The final call be made on holders of the aforesaid partly-paid ordinary shares on record on the Register of Members of the company on November 21, 1974. Call Notices are expected to be issued on or after December 10, 1974, giving full instructions and requiring payment of the call money by January 11, 1975.

Mettur Chemicals

Mettur Chemicals and Industrial Corporation has earned during the year ended March 31, 1974, a substantially reduced net profit of Rs 53.03 lakhs as against Rs 77.59 lakhs in 1972-73. This sharp decline in profit is attributed to steep increase in cost of raw materials, labour and services as well as the curtailed production on account of extended power cuts and loss of production due to labour strike for about a month. Though there was some marginal increase in price realisations it was too inadequate to counteract the above adverse factors. Adding to the net profit the amount of Rs. 22,016 brought forward from the previous year, the total amount available for disposal came to Rs 53.25 lakhs. Out of this, a sum of Rs 3 lakhs was allocated to development rebate reserve, Rs 39.50 lakhs to taxation reserve and Rs 49,167 towards donations. This leaves a net surplus of Rs 10.26 lakhs out of which Rs 10 lakhs was provided for payment of gratuity, leaving Rs 25,765 to be carried forward to the next year's account. In view of the sharp decline in profits and also taking into consideration the restrictions on dividends, the directors regret that they are not in a position to recommend payment of dividends either on equity or on preference shares for the year 1973-74.

Production of main chemicals was adversely affected during 1973-74 due to a 75 per cent power cut for about three-and-half months and 15 per cent power cut for six months in the year and also due to loss of about a month's production on account of labour strike during the year. Besides this, inadequate availability of furnace oil posed serious problems in the second half of the year. Despite these adverse factors production of caustic soda has maintained 27,938 tonnes gross as against 32,927 tonnes in the previous year. In stable bleaching powder, production was lower by 14 per cent at 4345 tonnes due to limited availability of chlorine. As regards other inorganic chemicals production as maintained at fairly satisfactory levels. In vanaspati and vegetable oil products, due to shortage and sharp increase in the price of groundnut oil, production went down to 1538 tonnes from 2304 tonnes in 1972-73. The output of chloromethanes too was affected due to inadequate availability of chlorine and hence production during the year was reduced to 3936 tonnes from 4558 tonnes in the previous year.

Total sales during the year under report declined by 6.8 per cent to Rs 727.82 lakhs. The company continued to maintain its record in the export of its products. Meanwhile the company has secured an industrial licence for expanding the capacity of rayon grade caustic soda by 50 tonnes per day and has also received a capital goods import licence. An agreement has also been entered into with Messrs Krebs and Co Ltd, Zurich, for provision of basic engineering services. Other formalities are being concluded and the expanded capacity is expected to be on stream in the first half of 1976.

News and Notes

The output of Tata commercial vehicles manufactured by the **Tata Engineering and Locomotive Company** during the period July to September 1974 was 4,856 units as compared to 5,482 units produced during the corresponding period of last year. The shortfall was mainly an account of the non-availability of critical components such as pistons and wheels.

The **Coca-Cola Company** has recently purchased 14,700 metric tonnes of Indian raw sugar for use in its products in the United States. This consignment was exported by the Indian Sugar Industry Export Corporation through the State Trading Corporation and it was shipped from Bombay in a Soviet vessel.

The country's first Caprolactam plant was set up in March this year. **The Gujarat State Fertilizer Company**, will provide the nylon industry, among others with 20,500 tons of Caprolactam every year—the basic raw material for textiles, tyre cord, as well as synthetic yarns for fishing nets. The plant will, moreover, produce 86,000 tonnes of fertilizer as a by-product. Siemens supplied most of the necessary equipment to meet the plant's electrical requirements—beginning with sophisticated semi-drawout type motor control centres in back-to-back double front design, to special 11 kV single core paper insulated lead covered screened single wire armoured PVC jacketed cables. Siemens engineers have worked very closely with GSFC engineers in solving all problems connected with installation and commissioning.

The momentum gained in the operations of the **Industrial Development Bank of India** during the year 1973-74 (July-June) was well maintained in the first quarter of 1974-75, both sanctions and disbursal of assistance being more than double the levels of the corresponding quarter of last year. The total assistance sanctioned was Rs 72.9 crores, against Rs 34.1 crores, and actual utilisation by industrial concerns was Rs 51.0 crores, against Rs 24.3 crores. The face value of bills rediscounted by the IDBI during the quarter July-September 1974 amounted to Rs 35.1 crores covering 480 purchaser-users compared to Rs 13.3 crores covering 261 purchaser-users during July-September 1973. Sanctions under refinance of industrial loans at Rs 17.4 crores were substantially higher (134 per cent) than the amount (Rs 7.4 crores) sanctioned in July-September 1973. More impressive was the increase in the number of sanctions from 539 to 1,226. Nearly 80 per cent of the refinance was in respect of small-scale industries.

There was a spurt in sanctions under export finance schemes from Rs 76 lakhs to Rs 12.5 crores in July-September 1974. The sanctions covered exports of textile machinery, boilers, automobile spares, diesel engines, pumpsets, etc, to various countries. The total effective sanctions since the IDBI started functioning upto the end of September 1974 amount to Rs 1,049.8 crores, excluding guarantees for Rs 28.5 crores, while the assistance actually utilised is Rs 777.4 crores.

New Issues

Nilhat Shipping Company Limited is entering the capital market with the public issue of Rs 102 lakhs. The issue is for 10,20,000 equity shares of Rs 10 each of which Rs 5 is payable on application and Rs 5 on allotment. The subscription list opens on November 18 and will close on November 28 or earlier but not before November 21. The issue is fully underwritten by public financial institutions and brokers. The public issue is managed by Champaklal Investment and Financial Consultancy Limited and Place, Siddons & Gough Private Limited. The promoters of this company are a well-known company in Calcutta, J. Thomas & Co. Private Ltd, who have been the foremost brokers of tea and have been in the forefront of tea industry in India and abroad for over a century.

Nilhat has acquired in February and March, 1974 two 25,000 DWT bulk carriers of Scandinavian origin. These ships are on a 24-month time charter to a well-known American company and by all accounts the charter hire has been at very attractive rates. Recently, one of the ships loaded Indian iron ore at Goa for shipment to a west European port. Nilhat has had the full backing of the Syndicate Bank and the Bank of India in respect of the foreign exchange loan and guarantees required for the purchase of the two vessels. There is an operating agreement with Mackinnon Mackenzie & Co. Private Ltd —a member of the internationally-known P & O Group of companies which will ensure efficient manning and maintenance of the ships. The immediate future plans of Nilhat are to arrange for the purchase of two dry cargo bulk carriers of around the same size as the present ones and they propose to apply for SDFC assistance in this respect. They have also investigated the possibility of chartering in of ships and going into coastal shipping. It is significant to note that Nilhat is a professionally managed company whose expertise in the respective field is well-known. The directors on board are : Mr D.C. Kothari (Chairman), Mr D. Roy, Mr T.C. Satyanath, Mr N.J. Setna, Dr D.P. Antia, Mr B.K. Dutt, Mr D.K. Basu, Mr N.N. Kapadia and Mr Nazir Latif.

Haryana Polysteels Ltd is offering to the public for subscription 6,24,750 equity shares of Rs 10 each and 22,500 (9.8 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list for this fully underwritten issue opens on November 4 and will close on November 15 or earlier but not before November 7. The company has been promoted by the Haryana State Industrial Development Corporation in financial and technical collaboration with Polysteels (India) Ltd with the object of setting up at Hissar in the state of Haryana a steel billet manufacturing plant having an annual capacity of 50,000 tonnes. The company is putting up electric arc furnaces with continuous casting machines to produce high carbon and mild steel billets. The company proposes to expand the activity up to one lakh tonnes in due course. The company has also plans to set up a wire rod mill of 40,000 tonnes capacity in the near future and a letter of intent has already been obtained by the promoters of the company. The plant is expected to go into production by January 1975. As the project is set up in a backward area, the company will be entitled to various incentives and benefits.

Bank of Madura Ltd is offering to the public for subscription 590,000 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on October 30, and will close on November 9 or earlier but not before November 2. The bank claimed to be one of the top non-nationalised banks in Tamil Nadu has been expanding very fast, since 1971 and a number of measures to consolidate the growth had been introduced in the year 1973. The deposits of the bank have increased three-fold in a period of three years from Rs 9.8 crores at the end of 1970 to Rs 27.43 crores at the end of 1973. The bank has a net work of 137 branches, and it proposes to open branches at Ahmedabad and Hyderabad in the current year and one more in Bombay and Calcutta. The bank entered foreign exchange business this year and has already started sizable transactions involving all foreign currencies. Chit Fund business which is a speciality of the bank was started in 1972 and the business has progressed satisfactorily. The proceeds of the public issue will be utilised to finance the fast expanding business activities of the bank.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Hukamchand Mills	December 31, 1973	15.0	12.5
Same Dividend			
Madras Safe Deposit Co	June 30, 1974	10.0	10.0
Beco Engineering	December 31, 1973	Nil	Nil
India Linoleums	March 31, 1974	Nil	Nil
Reduced Dividend			
Fort William	March 31, 1974	Nil	15.0
Hindustan Wires	March 31, 1974	6.0	10.0
Agarpara Company	March 31, 1974	Nil	5.0
International Tractor	March 31, 1974	Nil	12.5
Investment Corpn. of India	June 30, 1974	4.25	11.0
Jayant Paper Mills	June 30, 1974	8.0	12.0

RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale price index for 'all commodities' (with the year ended March, 1962 as 100) advanced by 2.5 per cent to 323.0 during August, 1974 as against 315.1 for the previous month. At this level the index for August, 1974 was higher by 28.6 per cent when compared to 251.1 for August, 1973. The rise in the all commodities was shared by an advance in the indices for 'food articles' by 2.4 per cent to 375.5, 'fuel, power, light and lubricants' by 0.1 per cent to 313.1, 'industrial raw materials' by 3.2 per cent to 353.1, 'chemicals' by 0.2 per cent to 287.5, 'machinery and transport eqxipment' by 6.2 per cent to 255.8 and 'manufactures' by 2.9 per cent to 261.0. However, the index for 'iquor and tobacco' declined by 2.0 per cent to 300.1 during the month under review.

Food Articles

The sub-group indices for 'cereals' and 'pulses' rose by 5.0 and 6.2 per cent to 390.7 and 508.8 respectively due to an increase in the prices of all the cereals and pulses except moong and urad which declined. On the whole the index for 'foodgrains' moved up by 5.3 per cent to 412.2. At this level the index for 'foodgrains' was higher by 40.4 per cent when compared to that of a year ago. The sub-group index for 'fruits and vegetables' registered a fall of 6.9 per cent to 349.1 due to lower prices of potatoes, bananas, cashewnuts and oranges.

The sub-group index for 'milk and milk products' receded by 0.3 per cent to 334.4 due to a fall in the prices of ghee. The sub-group index for 'edible oils' moved up by 2.0 per cent to 422.2 on account of higher prices of groundnut oil and mustard oil. The prices of coconut oil, however, declined.

The subgroup index for 'fish, eggs and meat' went up by 1.1 per cent to 546.2 due to a rise in the prices of fish. However the prices of eggs and meat recorded a fall. The index for 'sugar and allied products' sub-group ro;e by 5.8 per cent to 310.8 due to rish in the prices of all items under this sub-group. The sub-group index for 'other food articles' declined by 3.0 per cent to

Index Numbers of Wholesale Prices by Groups & Sub-Groups (Base 1961-62=100)

Groups & usb-group	August '74	July '74	August '73	Percentage rise (+) or fal l(-)	
				Aug 1974 July 1974	Aug 1974 Aug. 1973
Food Articles	375.5	366.6	298.8	+2.4	+25.7
Foodgrains	412.2	391.5	293.5	+5.3	+40.4
Cereals	390.7	372.0	268.8	+5.0	+45.3
Pulses	508.8	479.1	405.0	+6.2	+25.6
Fruits & vegetables	349.1	374.8	284.4	—6.9	+22.7
Milk & milk products	334.4	335.5	295.9	—0.3	+13.0
Edible oils	422.2	413.9	359.2	+2.0	+17.5
Fish, eggs & meat	546.2	540.4	395.9	+1.1	+38.0
Sugar & allied products	310.8	293.9	298.4	+5.8	+4.2
Others	278.7	287.4	206.1	—3.0	+35.8
Liquor & Tobacco	300.1	306.2	247.5	—2.0	+21.3
Liquor	215.2	215.2	176.0	Nil	+22.3
Tobacco	304.0	310.3	250.8	—2.0	+21.2
Fuel, Power Light & Lubricants	313.1	312.9	190.9	+0.1	+64.0
Coal	263.2	263.2	190.4	Nil	+38.2
Coke	357.3	357.3	268.4	Nil	+33.1
Mineral oils	384.0	383.6	189.7	+0.1	+102.4
Rectified spirit	323.1	323.1	296.8	Nil	+8.9
Electricity	186.5	186.5	161.3	Nil	+15.6
Castor oil	385.7	387.5	414.4	—0.5	—6.9
Industrial Raw Materials	353.1	342.3	806.2	+3.2	+15.3
Fibres	298.9	285.5	220.1	+4.7	+35.8
Oilseeds	439.3	423.7	394.7	+3.7	+11.3
Minerals	158.1	158.1	157.0	Nil	+0.7
Others	286.3	288.7	282.3	—0.8	+1.4
Chemicals	287.5	286.8	214.5	+0.2	+34.0
Machinery & Transport Equipment	255.8	240.9	177.7	+6.2	+44.0
Electrical machinery	233.1	233.2	174.1	Neg	+33.9
Non-Electrical machinery	296.8	267.2	191.7	+11.1	+54.8
Transport equipment	202.0	200.4	151.1	+0.8	+33.7
Manufactures	261.0	253.7	194.7	+2.9	+34.1
Intermediate Products	339.1	337.3	245.0	+0.5	+38.4
Textile yarn	289.1	285.9	210.8	+1.1	+37.1
Leathers	220.9	236.3	223.6	—6.5	—1.2
Metals	403.8	402.7	276.7	+0.3	+45.9
Linseed oil	463.6	434.4	333.9	+6.7	+38.8
Finished Products	240.8	233.5	182.5	+3.1	+31.9
Textiles	238.8	230.7	179.6	+3.5	+33.0
Metal products	272.8	267.3	212.0	+2.1	+28.7
Non-metallic products	247.7	225.9	180.9	+9.7	+36.9
Chemical products	237.4	235.2	165.9	+0.9	+43.1
Leather products (Shoes)	125.4	125.4	107.3	Nil	+16.0
Rubber products	220.8	213.9	161.3	+3.2	+36.9
Paper products	217.4	213.4	143.3	+1.9	+51.7
Oilcakes	361.5	340.6	352.0	+6.1	+2.7
Miscellaneous products	170.4	168.8	129.9	+0.9	+31.2
All Commodities	323.0	315.1	251.1	+2.5	+28.6

Source: Office of the Economic Adviser to the Government of India, Ministry of Industrial Development.

278.7 due to lower prices of spices and condiments and tea. The prices of coffee betelnuts, and processed food, however moved up.

Liquor and Tobacco

The sub-group index for liquor remained unchanged at its last month's leval of 215.2. The sub-group index for tubacco declined by 2.0 per cent to 304.0 due to lower prices of tohacco raw.

Fuel, Power, Light and Lubricants

The sub-groups indices for 'coal' 'coke' 'rectified spirit' and 'electricity' remained unchanged at their last month's level of 263.2, 357.3, 323.1, and 186.5 respectively. The sub-group index for 'minerals' stood at 384.0 as against 383.6 due to slight rise in the prices of kerosene oil. The sub-group index for 'castor oil' declined by 0.5 per cent to 385.7.

Industrial Raw Materials

Higher prices of cotton raw, jute raw and mesta, wool raw and coir fibre pushed up the sub-group index for 'fibres' by 4.7 per cent to 298.0 The prices of silk raw, however, declined. The sub-group index for 'oilseeds' went up by 3.7 per cent to 439.3 due to rise in the prices of all seeds except castor seed which declined. The sub-group index for 'minerals' stood at its last month's level of 158.1. The sub-group index for 'other industrial raw materials' registered a fall of 0.8 per cent to 286.3 on account of lower prices of tanning materials and lac.

Chemicals

The index of this group went up by 0.2 per cent to 287.5 owing to an advance in the prices of hydrochloric acid and bleaching powder. However the price of copper sulphate showed a fall.

Machinery and Transport Equipment

The sub-group index for 'electrical machinery' stood at 233.1 as against 233.2 for the earlier month. The sub-group index for 'non-electrical machinery' rose by 11.1 per cent to 296.8 due to higher prices of all the items under the sub-group. The sub-group index for 'transport equipment' advanced by 0.8 per cent to 202.0 on account of increase in the prices of vehicles and cycles.

Manufactures

Intermediate Products

The index for 'intermediate products' moved up by 0.5 per cent owing to an increase in the prices of cotton yarn, rayon yarn, coir yarn, pig iron, semies, tin and linseed oil. The prices of leather, zinc, brass sheets, copper sheets, and lead, however, declined.

Finished Products

Higher prices of cotton manufactures, just manufactures, and coir mats and matting raised the sub-group index for 'textiles' by 3.5 per cent to 238.8. The prices of silk and rayon manufactures, however, declined.

The sub-group index for 'metal products' moved up by 2.1 per cent to 272.8 owing to an increase in the prices of iron and steel manufactures and cutlery &hardware. The sub-group index for 'non-metallic products' rose by 9.7 per cent to 247.7 due to an advance in the prices of cement, bricks and tiles and pottery goods.

The sub-group index for 'chemical products' went up by 0.9 per cent to 237.4 on account of higher price of drugs and medicines, paints and varnishes, dyeing materials and toilet requisites. The prices of essential oil, however, showed a fall. The index for leather stood at its last month's level of 125.4. The sub-group index for 'rubber products' moved up by 3.2 per cent to 220.8 due to higher prices of tyres and tubes and other rubber products.

The sub-group indice for 'paper products' and 'oilcakes' moved up by 1.9 and 6.1 per cent to 217.4 and 361.5 respectively. The sub-group index for 'miscellaneous products' also rose by 0.9 per cent to 170.4 due to an increase in the prices of plastic materials and plywood tea chests. On the whole the index for 'finished products' advanced by 3.1 per cent to 240.8 as against 233.5 for the previous month.

Index Numbers of Security Prices (All-India)

(Base:1970-71=100)

Week ended	1973	1974				
	Oct. 6	Sept. 7	Sept. 14	Sept. 21	Sept. 28	Oct. 5
Government and Semi-Government Securities	98.9	97.2	97.1	97.1	97.1	96.9
Government of India	98.4	96.3	96.2	96.2	96.2	95.9
State governments	99.9	99.5	99.4	99.4	99.3	99.3
Semi-government instiutions	100.8	100.7	101.0	100.9	100.9	100.9
Debentures	97.8	96.9	96.9	96.9	96.9	96.8
Preference Shares	93.9	92.3	92.2	91.9	91.9	91.4
Ordinary Shares	118.0	108.9	104.2	103.6	103.1	100.7
Tea plantations	91.8	112.8	106.8	105.5	103.7	101.5
Cotton textiles	135.5	133.1	128.2	126.5	127.4	123.7
Jute textiles	132.0	154.9	150.8	148.1	143.2	140.9
Silk, woollen and rayon textiles	135.7	124.9	120.7	120.7	120.8	117.3
Iron and steel	60.4	48.5	47.2	47.3	46.8	44.9
Aluminium	78.5	60.1	58.3	57.9	57.2	56.1
Transport equipment	98.4	77.9	75.3	76.4	75.5	72.5
Electrical machinery, apparatus, appliances etc.	121.8	113.5	107.2	106.5	104.9	100.5
Chemical fertilisers	178.0	147.7	141.0	141.0	140.8	138.2
Other basic industrial chemicals	122.7	105.4	100.1	100.4	100.5	98.9
Cement	102.3	85.7	83.3	82.0	81.4	78.2
Paper and paper products	132.7	160.9	154.5	155.7	154.8	149.0
Rubber and rubber products	109.9	101.3	94.5	93.7	92.5	89.3
Electricity generation and supply	82.5	76.7	76.2	75.5	72.5	68.1
Shipping	153.2	140.2	137.6	138.9	140.5	139.7

Source: Reserve Bank of India

Reserve Bank of India

(Rs lakhs)

	Oct. 4, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	21,37	42,26	30,58	29,95
Notes in circulation	5,958,10	5,908,88	6,050,84	5,511,33
Total notes issued	5,979,46	5,951,14	6,081,43	5,541,27
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	141,74	141,74	146,74	148,93
Rupee coin	19,37	20,64	15,92	11,65
Government of India rupee securities	5,635,83	5,606,23	5,736,24	5,198,16
Banking Department				
Deposits of cent. govt.	59,16	58,02	54,97	56,36
Deposits of state govt's	32,43	8,61	20,31	15,93
Deposits of banks	591,98	559,34	620,37	848,68
Other deposits	371,27	437,10	355,85	71,94
Other liabilities	1,455,66	1,449,64	1,436,54	1,089,53
Total liabilities or assets	2,510,51	2,512,70	2,488,04	2,082,43
Notes and coins	21,44	42,35	30,66	30,01
Balances held abroad	466,08	474,67	508,62	277,78
Loans and Advances to :				
State governments	98,04	143,15	123,92	149,19
Scheduled com. banks	95,40	86,62	84,04	38,88
State co-op. banks	318,42	312,22	283,29	292,29
Oth r loans and advances	289,61	281,63	275,05	165,05
Bills Purchased and Discounted :				
Internal	142,18	158,17	183,20	32,51
Govt. treasury bills	652,49	726,74	522,77	966,79
Investments	335,50	191,04	379,77	86,35
Other assets	91,36	96,12	96,74	43,59

Scheduled Commercial Banks

(Rs lakhs)

	Oct. 4, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,651,19	4,608,28	4,681,66	3,970,48
2. Time deposits	6,471,27	6,454,00	6,354,43	5,603,33
3. Aggregate deposits	11,122,46	11,062,28	11,036,09	9,573,81
4. Borrowings from Reserve Bank	95,40	86,62	84,04	38,88
5. Cash	276,57	266,94	263,44	236,98
6. Balances with Reserve Bank	574,14	541,46	603,08	831,53
7. Cash and balances with Reserve Bank	850,71	808,40	866,52	1,068,51
8. Investments in government securities	2,673,15	2,630,77	2,634,52	2,332,44
9. Advances	6,244,47	6,254,00	6,236,69	5,211,13
10. Inland bills purchased and discounted	1,020,43	1,029,62	1,079,11	899,71
11. Foreign bills purchased and discounted	380,90	379,99	373,98	277,72
12. Total bank credit	7,645,80	7,663,61	7,689,78	6,388,56
Percetnage of :				
(7) to (3)	7.65	7.31	7.85	11.16
(8) to (3)	24.03	23.78	23.87	24.36
(12 to (3)	68.74	69.68	69.98	66.73

Source : Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1973	1974				
	Sept. 28	August 30	Sept.6	Sept. 13	Sept. 20	Sept. 27
Money Supply with the Public	9,821	11,064	11,109	11,137	11,002	10,912
Currency with the Public	5,163	6,198	6,251	6,287	6,202	6,105
Other Deposits with the Reserve Bank	45	42	36	54	43	60
Bank Money	4,163	4,824	4,822	4,796	4,757	4.747
Factors Affecting Money Supply (1+2+3+4—5)						
1. Net bank credit to Government Sector (a+b)	8,580	9,183	9,328	9,351	9,329	9.239
(*a*) Reserve Bank's Net Credit to Government Sector	6,148	6,501	6,596	6,585	6,526	6.511
(*b*) Other Banks' Credit to Government Sector	2,432	2,682	2,732	2,766	2,803	2.728
2. Bank Credit to Commercial Sector (a+b)	7,895	9,593	9,537	9,653	9,593	9.574
(*a*) Reserve Bank's Credit to Commercial Sector	298	574	566	566	558	550
(*b*) Other Banks' Credit to Commercial Sector	7,597	9,019	8,971	9,087	9,035	9.024
3. Net Foreign Exchange Assets of Banking Sector	625	651	570	570	571	537
4. Government's Net Currency Liabilities to the Public	482	509	510	409	507	509
5. Non-Monetary Liabilities of Banking Sector (a+b+c)	7,761	8,782	8,836	8,946	8,998	8.947
(*a*) Time Deposits with Banks	5,878	6,682	6,704	6,733	6,781	6.810
(*b*) Net Non-Monetary Liabilities of RBI	1,190	1,148	1,416	1,409	1,422	1.430
(*c*) Residual	693	682	716	804	795	707
Aggregate Monetary Resources (A+B5(a))	15.699	17.746	17,813	17,870	17,783	17.722

Source : Reserve Bank of India

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Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973	1974				
									June	Jan.	Feb.	Mar.	April	May
					(Base : 1949=100)									
All-India	169	213	212	215	226	233	251	304	283	321	325	334	344	357
					(Base : 1960—100)									
All-India	—	—	174	177	186	192	207	250	233	264	267	275	283	294
Ahmedabad	130	168	165	169	176	181	198	245	230	264	260	264	272	284
Alwaye	145	183	198	197	198	202	215	267	260	265	273	288	298	312
Asansol	140	168	176	187	189	194	206	245	226	258	263	274	286	298
Bangalore	144	172	180	183	186	194	212	265	247	280	284	286	286	292
Bhavnagar	132	173	176	178	186	194	217	273	256	293	289	285	297	306
Bombay	130	162	167	175	182	190	203	233	230	241	243	249	259	269
Calcutta	131	163	170	172	182	187	197	228	213	240	241	255	264	272
Coimbatore	132	151	147	152	163	177	189	218	204	232	236	246	258	269
Delhi	136	172	178	185	199	211	222	265	250	278	280	296	309	325
Digboi	138	198	185	180	189	188	198	234	217	249	255	256	260	273
Gwalior	139	191	179	184	191	197	214	271	249	290	299	312	316	329
Howrah	137	178	181	176	186	191	206	239	219	256	255	270	274	280
Hyderabad	140	167	173	185	189	195	211	251	245	257	263	271	273	277
Jamshedpur	136	183	171	190	183	187	202	249	229	268	275	278	293	307
Madras	134	151	150	160	170	182	203	229	221	238	241	248	261	268
Madurai	128	146	148	162	183	193	206	236	221	254	251	257	266	282
Monghyr	151	215	185	188	203	204	225	292	256	324	343	347	344	337
Mundkayam	138	173	186	191	197	199	210	263	252	271	272	286	291	309
Nagpur	138	164	166	176	187	192	203	256	220	275	275	277	277	295
Saharanpur	141	188	176	181	186	196	213	253	232	276	280	290	294	311
Sholapur	128	165	167	176	185	198	216	277	266	293	282	279	288	295

Source : Labour Bureau, Govt. of

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 196

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973		1974		
									April	Dec.	Jan.	Feb.	Mar
All-India	132	159	161	167	174	180	192	221	202	228	231	233	23
Bombay	132	153	156	162	168	172	183	204	195	206	206	200	21
Delhi-New Delhi	131	154	162	178	174	180	190	217	195	226	229	230	23
Calcutta	126	152	156	162	170	174	180	204	184	213	214	213	21
Madras	133	154	154	161	175	188	204	231	214	238	240	245	25
Hyderabad-Secunderabad	133	155	159	167	174	180	195	223	208	229	229	230	25
Bangalore	133	156	160	162	172	180	194	228	206	235	237	242	24
Lucknow	132	159	156	161	166	174	185	215	192	220	226	229	23
Ahmedabad	131	160	162	168	171	173	188	222	205	228	231	229	23
Jaipur	133	162	168	176	183	188	205	244	216	255	256	260	26
Patna	139	170	174	191	190	199	199	229	205	238	248	249	25
Srinagar	134	160	157	174	184	191	200	215	204	222	223	225	22
Trivandrum	131	165	168	172	178	184	198	231	208	243	245	244	25
Cutrack-Bhubaneswar	142	164	167	169	176	184	196	221	200	232	232	232	23
Bhopal	133	166	166	172	180	188	204	238	213	243	248	254	25
Chandigarh	129	155	165	171	178	183	194	217	198	222	224	229	23
Shillong	123	155	163	164	166	175	183	208	193	281	220	219	21

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ECONOMIST

NOVEMBER 8, 1974

K for Kissinger

THE RECENT visit of Dr Henry A. Kissinger, the US Secretary of State, to this country oved to be a satisfying experience both for the guest and the hosts. Dr Kissinger is reorted to have stated at the end of his talks with the Indian leaders that relations beteen the two countries had turned a new page and that both the countries had agreed work with dedication and seriousness towards common objectives. The setting up f the Indo-American Joint Commission was proof of the fact that both the countries ere keen to hasten the pace of collaborative efforts. Surely, the flow of private American apital into this country will depend to a large extent on the identification of areas where utually advantageous joint projects can be set up.

The discussions between Dr Kissinger and the Indian leaders resulted in the prentation of the viewpoints of both sides in clear-cut and unambiguous terms. Instead f tackling the various issues in a diplomatic manner, an attempt was made to underand each other's point of view. Surely there were certain issues on which there could e no agreement between the two. The supply of arms to Pakistan and the question f Diego Garcia were two such questions on which, using Dr Kissinger's words, "there as absence of identity of views." The Indian side did try to impress upon the US ecretary of State the need for maintaining peace in the sub-continent which would be npossible to achieve if attempts were made to start the arms race once again by trying put Pakistan on par with India militarily. The military assistance provided to Pakisan by China and the backing of the Middle East countries with their oil money had aleady tended to bring back the pre-1971 situation. If on top of that the USA also stared the supply of arms to Pakistan, it would surely damage the Simla spirit which this ountry had been trying to nourish assiduously for more than two years.

The other two important questions which should have been discussed but did not come up in a specific manner were those relating to the supply of foodgrains and aid. This country has made it known that it would not like to revive the old experience of the import of foodgrains under PL 480. The US Secretary of State also did not take up this question in concrete terms. He said that the USA would certainly give food assistance to India though it was difficult for him to arrive at a final judgment as to how much could be supplied. At the Rome conference, which started on November 5, Mr Kissinger would put forward the entire US approach to the food problem and the steps which had to be taken up on a national and multinational basis. What was interesting was that the US was not making its approach to the Rome Food Conference conditional on support to US views on any other subject such as energy. However, it is reliably known in Delhi that the USA will supply in the next 12 months about 1.2 million tonnes of wheat to India under soft dollar loans repayable after 40 years and bearing an interest of 2½ per cent only. A grace period of seven to 10 years may be allowed.

On aid the old donor-donee relationship was proposed to be given up. It tended to create certain complexes which were not conducive to harmonious collaboration in various spheres of economic activity. Dr Kissinger said at his press conference that when the United States undertook certain measures with respect to India or any other country, it did so in its own interest as well as the interest of the other country. The joint interest was the prime mover in such transactions. Therefore, when the question of aid was discussed, it was not in the context of India asking for a special favour but of defining joint objectives. The Indo-US Joint Commission is expected to provide an opportunity for discussing the common objectives in a realistic framework.

Dr Kissinger described his mission to this country as a complete success. There might be an element of exaggeration in the way he put it, but there is no doubt that in the changed atmosphere, there are increased prospects of better trade relations between the two countries. For some time the trade between the two countries has been stagnating at the level of Rs 700 crores a year. In this connection a reference may be made to the Trade Reform Bill which is likely to be passed by the US Congress at the end of the current year. With greater understanding and awareness of each other's points of view and the elimination of misunderstanding on less important issues, there is no doubt that trade relations between the two countries will steadily improve, and through the Indo-American Joint Commission collaborations in scientific, technical and cultural pursuits will also prosper.

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Halting relaxation in credit

THE FEARS that in view of the anxiety of the government to contain the prices spiral, the Reserve Bank of India (RBI) might hesitate to significantly loosen the credit screw have come out to be true. Announcing the credit policy for the current busy season last week, the RBI has reduced the minimum statutory limit of balances which the scheduled commercial banks are required to keep with it, from five per cent of the total demand and time liabilities to four per cent. The statutory liquidity ratio has been maintained at 33 per cent, but the minimum net liquidity ratio relevant for lending by the RBI at the Bank rate has been lowered from 40 to 39 per cent. The banks have been permitted to borrow from the RBI at the bank rate an amount equal to one per cent of their demand and time liabilities as on September 27.

While the lowering of the minimum net liquidity ratio would provide some relief in the cost of refinance by the RBI, the reduction in the statutory reserves ratio and the according of borrowing facility at the bank rate up to an amount equal to one per cent of the demand and time liabilities of banks as on September 27 would augment the lending capacity of banks by about Rs 240 crores. Another about Rs 100 crores would be available to the banking industry under the slightly liberalised bill market scheme. The RBI would be rediscounting in-land bills purchased and discounted by banks to an amount equal to 10 per cent of the September 27 level.

The impounded balances of scheduled commercial banks under the statutory reserves obligation are to be released in two stages. The statutory limit of 5 per cent will be reduced to 4.5 per cent on December 14 and to four per cent on December 28. The total additional funds available to the banking industry for lending purposes during the current busy season, thus, may be of the order of Rs 340 crores. The commercial banks, of course, will be allowed to utilise, as usual, the additional deposits they might be able to mobilise.

That this liberalisation in the credit policy does not fully meet the situation should be evident not only from the statement of the President of the Federation of Indian Chambers of Commerce and Industry, Mr K. K. Birla, but also from the other evidence available. Referring to a survey made by the FICCI recently, Mr Birla has estimated that the gap between the availability and requirement of bank credit during the coming months will be of the order of about Rs 700 crores. This, according to him, is likely to hurt precisely those sectors in which production has to be raised.

The plea for sizeable liberalisation of the credit policy was primarily based on three counts. First, the sharp rise in prices over the last 12 months—the wholesale prices index currently is nearly 31 per cent higher than the last year's level—has considerably increased the cost of both material and human inputs of industry. Secondly, because of decline in demand, at the present high prices, of several commodities, manufacturers are finding it difficult to move their products into the market. They are, thus, burdened with above-normal stocks. Thirdly, even a slight improvement in the utilisation of industrial capacities, as a result of somewhat improved labour and transport situations would push up the demand credit substantially.

During 1973-74, according to year's report of the Industrial Devel ment Bank of India, production is e mated to have gone up only in the c of capital goods industries. The ot three major categories of industrie basic industries, intermediate goods ind tries and consumer goods industrie showed reduced output. The fall in p duction in the case of basic indust over the year was to the extent of 2.4 cent, in respect of intermediate go industries 1.1 per cent and in regard the consumer goods industries 2.9 cent. The capital goods industries co raise their output by 11.9 per cent.

If in the face of this data, the expans in bank credit during the last busy seas was as much as Rs 953 crores (of cou including the expansion resulting fr the Rs 669 crores increase in deposi besides additional bill finance being p vided by the RBI to the extent of Rs crores, the credit requirements of current busy season obviously should exceed the amount likely to be availa as a sequel to the liberalisation effec last week. The expansion in credit resu ing from increase in the deposits of banking industry this year apparen cannot be very significant for the sim reason that the declining trend in domes

Eastern Economist 30 Years Ago

NOV. 10, 1944

To what extent is the war-time progress of India's banks reflected in their earnings? The supposition of a general decline in bank earnings might be dismissed at once, because it is the buoyancy of funds and the prospect of remunerativeness which have been at the bottom of the banking extension of the last five years. And, despite the increasing number of restrictions which limit the field of activity, the banking system as a whole has made more, not less earnings. But high earnings are not necessarily or under all conditions an index of great efficiency. This will be specially true of the banking system for three reasons. In the first place, the business of banking, even the relatively undeveloped context of Indian con tions, carries less risk and uncertainty than ot lines of enterprise. Secondly while in peace banks act as the agencies for the collection of p vate savings, the war-time monetary expansion deprived the banks of much of this character, a they are now largely the repositories of communi created money, on which they should not ma excessive earnings. Thirdly, purveying of mon is different from the purveying of goods and hi cost of purveying of money will hamper trade a industry generally.

savings has got accentuated owing to the spurt in prices during the last 12 months. No doubt, the restrictions imposed on the disbursement of dividends by the corporate sector in July last has helped in somewhat improving the cash position of the industry. But this improvement too cannot be expected to materially mitigate the stringent financial situation which faces the industry.

It is, of course, encouraging to note that credit facilities have been liberalised primarily for purposes of accelerating the pace of production. Credit for distribution channels is to be provided on a somewhat larger scale only for agricultural and the wage goods sectors. The banking industry, significantly enough, has also been allowed to regulate its advances in the interest of by and large meeting the requirements of the priority sectors—agricultural development, core industries, export-oriented industries, essential wage goods industries, etc. In the case of small-scale industries, the banks have been asked to exercise particular caution so that preferential treatment is accorded only to those units which produce inputs for the core and wage goods industries. This should continue to contain speculative holding. The real solution to the prices tangle lies in raising production. It is hoped that the RBI will keep a close watch on the situation and liberalise the credit policy further in an expeditious manner as and when the necessity arises.

Impediments to industrial production

SOON AFTER assuming charge as the union minister for Industry and Civil Supplies, Mr T.A. Pai, declared that his ministry would take effective steps to remove the impediments to industrial production. His success in this field will, of course, depend on the extent to which he is able to secure the prompt and adequate cooperation of his cabinet colleagues dealing with other economic subjects. The obstacles to higher production are well known, such as the scarcity of imported and indigenous raw materials, the squeeze on credit, power shortage, unrealistic pricing policy, controls in various forms, labour unrest often instigated by trade unions with political motives, and the lack of transport facilities. How far will the ministers handling these subjects be able to bring to their assignments a sense of urgency and a practical approach? Mr Pai said that to have created capacity and not to have utilised it for some reason or the other, including ideological, would be not only anti-social but also anti-national. A few months ago, Mr Pai had declared that the government should have only one ideology and that was of increasing production. But does the cabinet as a whole fully and sincerely subscribe to this view?

Mr Pai was able to show some commendable record as the minister for Heavy Industry. The 14 public sector undertakings which were under this ministry till recently achieved a production of Rs 409 crores during 1973-74 which was 95 per cent of the target of Rs 429 crores. Their production in 1972-73 was Rs 281 crores. These units were estimated to have yielded a profit to Rs 8 crores in 1973-74 compared to a total loss of Rs 13 crores in the previous year. These encouraging results were achieved by introducing second and third shifts, by adopting improved techniques of industrial engineering and management, by offering incentives to supervisors and workers, and by removing the various constraints on production. The annual report of the ministry of Heavy Industry for 1973-74 said that "a ministry can be only as efficient as the accuracy, reliability and timeliness of information that it has". Mr Pai therefore should see to it that his new ministry is able to gather up-to-date and accurate data regarding all aspects of industrial production. At present, neither this ministry nor any one else seems to have any clear idea regarding the actual extent of the idle capacity that exists in various industries and how far this is due to the shortage of raw materials, lack of demand, inadequacy of credit, and other causes. The ministry also seems unaware in detail of the contribution made by the small scale units to industrial production though these are being heavily and systematically pampared to such an extent that, as Mr Pai himself has admitted recently, they have developed vested interests in remaining small.

Mr Subramaniam, when he was in charge of the ministry of Industrial Development, did much to speed up industrial licensing. Under his initiative was set up the Project Approval Board as well as the Secretariat for Industrial Approvals, and several other decisions were also taken to cut delay and impart some vigour to the growth of industries. The government expected that these arrangements "will result not only in speedy and orderly approval procedures but also in enforcing an expeditious translation of letters of intent and industrial licences into productive capacity on ground".

But it seems that measures have not yet had their impact on industrial production and expansion. Mr G. D. Birla said in Calcutta some time ago that "all this talk by Mr Subramaniam about simplification and clearing the files is all in the press only. It is not a fact. The fact is that files are going up and going down but decisions are not taken". Mr Birla added that "licences are rotting with businessmen because there are so many other measures which are required to be taken if you want to produce. It is not just licensing".

Mr Pai, therefore, has to ensure that not only are letters of intent and licences issued promptly and even generously but they are also effectively utilised. He should examine to what extent the resources of the private sector can be used for imparting dynamism to industrial growth. He has rightly emphasised to need for avoiding ideology and his ministry should therefore analyse to what extent ideology has been hindering the growth of industries and suggest appropriate measures to remove this impediment. Mr Pai recently observed that the backward areas needed capital intensive industries rather than labour intensive ones. But what is more important, surely, is to accelerate the growth of industries in the backward areas whether they are capital intensive or not. An undue stress should not be laid on this aspect since the so-called capital intensive industries also do generate a great deal of direct and indirect employment in the areas where they are set up as well as in other places. The incentives and facilities that have been given so far for setting up industries in the backward areas, such as the central outright grant, concessional finance, and transport subsidy do not seem to have had the desired effect. Mr Pai, therefore, should examine how these incentives can be made more effective so that these areas can be rapidly opened up for industrial development.

On the concept of the joint sector also, the government should clarify its policy. The *Guidelines For Industries for 1974-75*, issued by the government of India, does not clearly indicate what exactly is the role of the joint sector in the promotion of industrial development and what are the terms and conditions which the private partners have to comply with, in entering into joint ventures with the government. The official approach at present is that each case will be decided on merit. The above publication says: "The joint sector will not be permitted to be used for the entry of larger houses, dominant undertakings and foreign companies in which they are otherwise precluded on their own. In all the different kinds of joint sector units, the government will ensure for itself an effective role in guiding policies, management and operations, the actual pattern and mode being decided as appropriate in each case." It is desirable to remove vagueness in this regard and make the joint sector an effective instrument for promoting industrial development.

Mr Pai should take the private sector into confidence in implementing the programmes of industrial development. He should see to it that the Advisory Councils attached to his ministry perform a useful role. There are eight development councils dealing with various industries such as organic chemicals, inorganic chemicals, drugs and pharmaceuticals, sugar, man-made textiles, food processing, paper pulp and allied industries, and leather and leather goods. But these councils have not been functioning actively. For instance, it seems strange, indeed, that the country should be faced with a severe shortage of paper of different kinds although a Development Council for this industry has been functioning for the past several years. Similarly, the Central Advisory Council of Industries, set up under the Industries (Development and Regulation) Act 1951, also does not seem to have been functioning in a useful way, considering the poor rate of industrial growth during the last few years. The Advisory Council of Industries consists of 30 members with the minister as the chairman. It includes the representatives of the manufacturers and consumers as well as economists. But the views of this council have not been given proper consideration by the government in carrying out the industrial development schemes.

Even Mr J.R.D. Tata complained recently that the government was not heeding the advice of responsible and representative organisations of industry. In his statement at the annual meeting of the Tata Iron and Steel Co. Ltd. held in July this year he said: "In India, partly for ideological reasons, partly for a lack of trust in the private sector and, perhaps, partly also for reasons of misplaced prestige, the views of industry have been, and are, consistently ignored or rejected whenever they differ from the official view which means most of the time. The few formalised consultative forums like the Central Advisory Council of Industries and annual meetings of chambers of commerce are generally treated as futile occasions for making, or listening to, set speeches, while chairmen's annual statements, although usually well-reasoned and documented, are wholly ignored". Mr Pai therefore would do well to seek the active cooperation of those who have practical experience in industry in implementing the programmes of his ministry. There is no doubt that by pursuing pragmatic policies, the country can achieve a growth rate in industry far more impressive than we have attained in recent years and even much higher than what is envisaged in the fifth five year Plan.

RECORDS AND STATISTICS

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ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

ndustrial Wages Controversy • Indian Rare Earths' Plans • Shipping Loans • Khetri Copper

Iow HAVE the wages of organised abour in industry behaved during the last wo decades? This question came into prominence recently following Dr B.K. Madan's analysis in the Bonus Review Committee's report, which was submitted o the union government towards the close of September. Dr Madan, a former deputy governor of the Reserve Bank of ndia and the chairman of the Bonus Review Committee, is reported to have expressed the view that the index for real earnings per worker (base 1951) rose from 107.3 in 1952 to 124.3 in 1968.

perceptible improvement

Presumably taking cue from this, the Occupational Wage Survey Division of Labour Bureau has now asserted that comparing the indices of wage rates in the 12 major industries — (i) cotton textiles; (ii) jute textiles; (iii) metal smelting and refining; (iv) electrical machinery and appliances manufacture; (v) railway work-shops; (iv) soap; (vii) matches; (viii) cigarettes; (ix) hydrogenated oil; (x) cement; (xi) sugar; and (xii) paper and paper products — and consumer cost of living, it would be observed there has been a perceptible improvement in real wages even since 1963-64. This assertion is based on the analysis that the general wage rates index, computed on the basis of a weighted average of the minimum and maximum wage rates in the concerned industries by using the number of workers in an industry as weights, rose from 100 in 1963-65 (average for three years) to 150.5 in 1969, 162.6 in 1970, 174.8 in 1971, 183.9 in 1972 and 202.7 in 1973. The consumer prices, it has been emphasised in a general way, have also risen during this period, but the rise in prices has been less pronounced than the increase in wages.

How misleading generalised statements can be is evident from the above assertion of the Occupational Wage Survey Division of the Labour Bureau. It is true that according to the general index for wage rates, the wages of industrial workers in the above-mentioned 12 industries, on an average, recorded more than 100 per cent increase between 1963-65 and 1973 and the rise in the cost of living in these years was about 80 per cent—suggesting a slight improvement in real wages. But this does not hold true for the period after 1969.

The increase in averge wages between 1969 and 1973 has been of the order of 35 per cent. The 1973 average wage level was higher by about 10.2 per cent compared with the 1972 level. Since 1969, the cost of living has risen at a more rapid pace. With 1949 as base, the index of cost of living of industrial workers went up from 215 in 1969-70 to as much as 304 in 1973-74 — an increase of nearly 42.8 per cent. If 1969 is taken as the base, the rise in this index between 1969-70 and 1973-74 has been approximately 41.2 per cent. The real wages got eroded by nearly 21 per cent in 1973.

increased wages

Among the fore-mentioned 12 industries, the average increase in wages, however, has exceeded the rise in cost of living since 1969 in jute textiles, electrical machinery and appliances, manufacture of metal smelting and refining and cigarettes making. The average wage in these industries went up between 1969 and 1973 by 68.9, 50.4, 48.4 and 46.4 per cent, respectively. The increase in wages exceeded the rise in cost of living in 1973 in the jute textiles and cigarette industries only. The wage increase in the other industries between 1969 and 1973 as a whole and in 1973 particularly has been lower than the rise in the cost of living.

The Labour Bureau, it is learnt, has also taken up the compilation of indices of wage rates for seven industries in the mining and plantation sectors. They are coal, mica, manganese ore, iron ore, tea, coffee and rubber.

* *

With a view to meeting the growing requirements for ilmenite, monazite, zircon, rutile, etc, the Indian Rare Earths Ltd (IRE) has embarked upon an ambitious expansion programme. Its Chavara unit, in Kerala, which was commissioned in January, 1971, with a capacity to yield annually 100,000 tonnes of ilmenite, 300 tonnes of monazite, 7,000 tonnes of zircon, 5,500 tonnes of rutile and 450 tonnes of sillimanite by treating 650 tonnes of raw sand daily, has already been expanded to produce per annum 130,000 tonnes of ilmenite and some increased quantities of the other above-mentioned minerals. Further expansion of this plant has been taken up at an estimated cost of Rs 1.93 crores. When this expansion programme is completed some time next year, the production of the unit will go up to 200,000 tonnes of ilmenite, 600 tonnes of monazite, 10,000 tonnes of zircon, 9,000 tonnes of rutile and 4,000 tonnes of sillimanite a year.

The undertaking's mineral sand separation unit at Manavalkurichi, also in Kerala, which was put up in November 1967, to treat 300 tonnes of raw sand per day, has since been expanded to 400 tonnes daily capacity to turn out every year 52,000 tonnes of ilmenite, 2,600 tonnes of monazite, 4,200 tonnes of zircon and 1,400 tonnes of rutile. It is now proposed to be expanded to treat 500 tonnes of raw sand per day to produce annually 65,000 tonnes of ilmenite, 2,700 tonnes of monazite, 5,000 tonnes of zircon, 1,500 tonnes of rutile and 900 tonnes of sillimanite. This expansion programme is expected to be completed some time next year at an estimated outlay of Rs 95 lakhs.

A much more ambitious project of the undertaking, however, is the setting up near Chatarpur, in the Ganjam district of Orissa, an industrial complex based on the beach sand minerals. The project will include a mineral sand separation plant, a synthetic rutile plant, a zirconium chemical unit and a caustic soda plant in the first phase. A unit to manufacture later titanium dioxide pigment will be added in the second phase. The first phase of the scheme is estimated to cost Rs 38.3 crores, of which Rs 10.35 crores will be the foreign exchange component. In view of the substantial investment involved and also because of the budgetary constraints of the government, the IRE is understood to have approached the Industrial Development Bank of India, the Life Insurance Corporation of India and the Industrial Finance Corporation for assistance. It now intends to depend on direct government funds only to a limited extent. If the resources are available, the first phase of the project might be completed by the end of the current Plan period. The second phase might be taken up in 1978-79.

pilot plant

The IRE also intends to set up a pilot demonstration plant for upgrading ilmenite to obtain a higher percentage of titanium dioxide by the electro-smelting process developed in the USSR. This plant is to be set up in Kerala at an estimated cost of about Rs 2.69 crores. Assistance is expected to be available from the UNDP to the tune of about Rs 26.2 lakhs for meeting the cost of experts, training, equipment, etc. When ready, the unit will produce annually 13,000/16,000 tonnes of titania rich slag and 4,500 tonnes of pig iron as a by-product.

The Kerala Minerals and Metals Ltd—a government of Kerala undertaking—too has planned to expand its capacity to produce annually 200,000 tonnes of ilmenite and other associated minerals in proportionate quantities by employing modern machinery and technical knowhow. At present, its output is 15,000 tonnes of ilmenite and proportionate quantities of rutile, zircon, leu-coxene, monazite and sillimanite.

* *

In view of the substantial escalation effected by the foreign shipyards in the prices of their ships, the union government has decided to liberalise the terms of the Shipping Development Fund Committee loans to Indian shippers. The debt-equity ratio for the sanction of these loans, which at present is 6:1, can now be relaxed in specific cases to 10:1. The general rate of security on the loans or guarantees also can now be reduced in special circumstances to 120 per cent from the present 133.33 per cent.

Announcing these relaxations in his address to the members of Parliament's Consultative Committee for the ministry of Transport and Shipping, the minister, Mr Kamalapati Tripathi, as well revealed that it had been decided to set up an Indian Register of Shipping which would bring about considerable saving in foreign exchange. The Indian Classification Socieity would be registered early next year. It would function in collaboration with three foreign societies. It has been further decided to set up the first Central Marine Designs and Research Organisation during the fifth Plan period to promote self-reliance in ship-building.

At the end of September this year, Mr Tripathi disclosed, 289 ships with 35.63 lakhs gross registered tonnage were in operation in the country, as against a gross registered tonnage of 28.20 lakhs a year ago. In addition, ships aggregating to 19.28 lakhs gross registered tonnage were on order. Thus, the ships under operation and those on order at the end of September last aggregated to 54.90 lakhs GRT. If the fifth Plan target of 86 lakhs GRT is to be attained, orders for 31.52 lakhs GRT will have to be placed soon.

Referring to the development of ports, Mr Tripathi observed that by the end of the current Plan period, the Visakhapatnam port would be able to handle ships of 1,50,000 DWT and the Madras and Marmugao ports ships of 100,000 DWT. The Haldia channel's draught was proposed to be progressively deepened to 40 feet by 1980; dredging had already started. An approach berth for handling coal with mechanised facilities was under construction at Haldia. During the current Plan period, special emphasis would be laid on the development of facilities at the destination ports such as Madras, Tuticorin and Cochin.

super tanker berth

Preliminary work on the construction of a super tanker berth at Cochin, Mr Tripathi added, had started and was progressing according to schedule. Oil handling facilities at Bombay were being developed to enable the port to handle about nine million tonnes of crude oil. An off-shore terminal had been planned at Salaya to meet the crude oil requirements of the Mathura and Koyali refineries.

The minister further stated that a separate fertiliser berth with mechanical handling equipment was under construction at Haldia. At Madras, two existing berths in the Jawahar dock basin would be utilised for handling fertilisers when iron ore traffic is diverted to the outer harbour. The other major schemes which would specifically cater for the fertiliser traffic included special berths at Cochin and a separate jetty at Kandla.

Referring to the demand by some members of the Consultative Committee developing the Nagapattinam port to lieve congestion in the Madras harbo Mr Tripathi said that since Tamil Nadu ready had two major ports at Madras a Tuticorin, there was hardly any econor justification for another major port.

Mr Tripathi also revealed that the perts of three foreign consultancy fir had visited the four sites recommended the techno-economic committee for loc ing the two new shipyards proposed to set up during the current Plan peric Their preliminary reports would be av lable in February next year.

* *

Addressing the Consultative Committ of Parliament attached to his ministry, t minister for Steel and Mines, Mr Cha drajit Yadav, revealed that the smelter the Khetri copper project in Rajastha was ready for commissioning and t production of copper metal here woul start immediately.

All the main units of the project, M Yadav added, were now complete, exce two sections of the acid-cum-fertiliser co plex. Part of this complex too — the su phuric acid unit — had been complete The phosphoric acid plant and the trip super-phosphate unit, however, were e pected to be commissioned in about s months.

The minister informed the committe that production of copper ore at Khet had been steadily increasing. Again an output of about 1,57,000 tonnes 1972-73, production in 1973-74 was the order of 3,18,000 tonnes. In th first six months of the current financi year, 2,93,000 tonnes of ore had bee mined. The output this year would touc 6,00,000 tonnes. It would go up 8,00,000 tonnes next year.

Referring to the Malanjkhand copp project in Madhya Pradesh, Mr Yada stated that Hindustan Copper had signe an agreement in October last year wi M/s Tsvetmetpromexport of the Sovi Union for the preparation of detaile project report for mining operations a the concentrator complex. The DPR f mining was expected to be received ne month and that for the concentrator a auxiliary facilities by September ne year. A team led by the chairman Hindustan Copper visited Moscow r cently for discussions on the project. O of the topics discussed was the advan action which would be necessary for t speedy development of Malanjkhand co per deposits.

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Cane and its price

Sagittarius

THE LACK of co-ordination in thinking and action between the central and state governments in respect of payment of prices to the cane growers for their produce and the extent to which distribution of levy sugar should be subsidised by profits realised on free sale sugar, may well result in the industry not giving a good account of itself at a time when there is a sustained boom in sugar exports. With a more remunerative return on the cultivation of competitive crops, it had been represented to the central government by the Indian Sugar Mills Association (ISMA) and sister organisations that a much higher minimum price for cane should be fixed for 1974-75 season, apart from an early decision in regard to the grant of rebates in excise duty for 'excess' production.

On both these counts the centre's announcement is unhelpful. The minimum price for cane has been raised by only five rupees to Rs 85 per tonne, even while it is expected that the cane growers should be paid at least 125 per tonne, and probably Rs 150 per tonne in UP. The rebates in excise duty for additional production are also to be paid on a different basis. It had been complained that there was manipulation of production under the earlier formula and the government had to pay large sums by way of rebates even when there was no net increase in production, over the base year.

no sizeable benefit

The new scheme will not confer any sizeable benefit on the industry as the rebate in excise duty available in respect of excess production in October and November, as bonus for maintaining or increasing total production and by way of increasing rebate on a slab basis in respect of production achieved in December-September will not result in the industry getting more than Rs 15 crores in a season even if there was a 10 per cent increase in aggregate output to 4.4 million tonnes. Because of a smaller crop and keen competition for available supplies, it is not expected that total output will be more than 4.0 million tonnes. On this basis, the incentive through rebates in excise duty may not net in more than eight crores of rupees. On the other hand, the quantity of cane crushed on the basis of a recovery of 9.5 per cent for all India will be 4.2 million tonnes. If an average price of Rs 125 per tonne is to be paid against minimum price of Rs 85 per tonne and the Bhargava Commission's formula also is to be applied, the average price realised on free sale sugar will have to be higher by at least Rs 84 per quintal than the realistically fixed levy price of sugar.

defective levy

It has been bitterly complained by the sugar producers in Tamil Nadu and elsewhere that the computation of price for levy sugar has been defective and individual factories have been losing Rs 10 to 15 per quintal even on the basis of the minimum price of Rs 80 per tonne of cane. If the existing loss is to be eliminated and the price for levy sugar also suitably adjusted for an increase in the cane price, the average price realised on pre-market sales should not be less than Rs 275 per quintal ex-factory exclusive of excise duty. As it is likely that higher cane prices will have to be paid in UP and Bihar and even in Tamil Nadu, if prices for wheat and rice do not come down, the sugar mills can hope to earn reasonable profits only if an average price of Rs 320 per quintal is realised. This will necessarily mean that the open market price cannot be lower than Rs 440 per quintal if an excise duty of Rs 120 per quintal is to be paid by the factories.

The ISMA has, therefore, represented to the government that the minimum price for cane should be suitably raised, if a heavy subsidy on levy sugar is to be avoided and diversion of acreage from cane to other competing crops is to be prevented in the next season. Even in 1974-75 it is feared that there will be serious competition for available supplies from producers of *gur* and *khandsari* and that the bigger manufacturers of *khandsari* should be brought under some discipline for making available about 500,000 tonnes of their output for controlled distribution. It is imperative that sugar output should be raised to at least 4.3 million tonnes if the target of one million tonnes for export out of the current season's production is to be achieved. The
boom in sugar has assumed unpreceden
ed proportions and the quotation of £ 4
per tonne had never been reached. Th
value of exports of one million tonn
can thus be easily Rs 800 crores as it
expected that the high prices will be mai
tained for several months. Even in 197
75 exports will be 500,000 tonnes havin
a value of Rs 300 crores and efforts a
being made to increase the quantum
700,000 tonnes, before March 1975.

It is surprising why the governme
decided to increase the minimum pri
for cane by only a small margin and wh
the rebate in excise duty was not designe
to ensure an increase in total output b
at least 10 per cent in 1974-75. As the
is no proper understanding of the subsid
involved in the distribution of levy suga
there is serious criticism of the anxiety
sugar mills to realise high prices for fre
sale sugar. The central government want
to escape the blame for fixing a highe
minimum price for cane while it is e
pecting the sugar producers to pay a
ditionally 50 per cent or 75 per cent o
the whole quantity of cane crushed b
any sugar producer. It is necessary
point out here that the policy adopte
when fixing procurement prices for whe
or rice is different from that relating
the minimum price for cane. In the fo
mer case, the procurement prices are a
plicable only to about 20 per cent of t
marketable surplus, while in the latt
instance the higher price has to be pa
on all the cane consumed. This in tu
determines the price paid by *gur* a
khandsari producers who handle over
per cent of total crop.

wrong suggestion

It is, therefore, wrong to suggest th
a high minimum price for cane will ha
a distorting effect on the price structu
of agricultural commodities. Whatev
may be the minimum price, high pric
will have to be paid in different regio
according to the dictates of the growe
Even though a record output of 468,0
tonnes of sugar has been achieved
mills in Tamil Nadu, the units in priva
sector particularly are not happy as
state government has directed them
pay the cane growers 25 per cent mo
than the prices applicable to individu
factories under the centre's formula.

has been contended that this arbitrary decision will result in the growers getting an extra five to seven rupees per tonne of cane. In one particular instance, the additional payment will be Rs 60 lakhs more than intended and even with the realisation of an average price of Rs 375 per quintal on free sale out of the production for 1973-74, the residual profits will not be such as to permit the payment of dividend of 12 per cent on equity capital. It has, therefore, been emphasised that the huge gross profits benefit only the grower and if there is no scientific approach to outstanding issues there will be a curtailment of output with factories crushing only for about 150 days or 175 days instead of 221 days in 1973-74. The individual mills have extended the crushing season to over 300 days.

It is, therefore, necessary that a higher minimum price for cane should be fixed if a big divergence between levy sugar prices and ex-factory prices for free sale sugar is to be avoided. Also, the rebate scheme will have to be recast in order to make it really attractive. The objective of this scheme is to compensate the sugar producer for the loss of recovery that takes place in October and November when cane is not fully ripe or in May-September when there is a lower recovery due to crushing in hot weather. The rebates should actually be conceived in such a manner that no payment is due when total production falls below the prescribed average for the base period in spite of an increase in particular periods of the season. The formula should actually encourage the prolongation of the crushing season and fuller use of the existing capacity.

With rise in internal consumption and an opportunity for exporting even one million tonnes the country can well afford to have an output of even 5.0 million tonnes. With no prospect of any big increase in crushing capacity in the next two or three years, an increase in output to even 4.5 million tonnes can be achieved only if there is an all-India average of 175 working days against 138 for 1973-74. Even the ISMA does not seem to be thinking on these lines though it has represented to the government that a higher minimum cane price should be fixed and the rebates in excise duty should be capable of being claimed on the basis of the average of production for the last three seasons instead of the stipulated average for five seasons. The rebates also will have to be suitably raised.

However, even if the suggestion of ISMA is accepted, there will still be anomalies. Some regions such as Maharashtra have been maintaining their output at a high level without any violent fluctuations, while Tamil Nadu and Karnataka have steadily increased their output. The adoption of three-year average will help states like UP and Bihar. UP's average will be lower at 1.155 million tonnes against 1.279 million tonnes and that of Bihar at 196,000 tonnes against 223,000 tonnes. Maharashtra too will be benefited to some extent with its average being lower at 1.01 million tonnes against 1.026 million tonnes. But Karnataka will be affected unfavourably with three-year averge rising to 273,000 tonnes from 252,000 tonnes, and Tamil Nadu with its average being higher at 366,000 tonnes against 337,000 tonnes. Andhra Pradesh will have a marginal advantage with three-year average dropping slightly to 280,000 tonnes from 288,000 tonnes. These anomalies can be eliminated if the rebates are granted in respect of production achieved through a prolongation of crushing season and which has also a defined relationship to the crushing capacity. If the government does not take a pragmatic decision even the policy of partial decontrol will fail in its objective of boosting production and the country will be losing a valuable opportunity for earning huge sums in foreign exchange through sizeable exports.

Bank rate in India

Dr P. S. Saxena

THE BANK rate or the discount rate is the rate of interest or discount which is normally charged by the central banking authority on its lendings to scheduled banks on the basis of approved securities when they need money to advance to their clients. It has been an important quantitative method of credit control besides open market operations and variable reserve ratios ever since the formative stages of central banking. In recent years it is increasingly used not only for supplementing other instruments of quantitative credit control but also for strengthening the efficacy of qualitative methods of credit control. A higher bank rate is now-a-days looked upon as a symbol of determination of the central banking institution to squeeze credit for checking the price-rise and mitigating balance of payments pressures. It is customary now for central banks to utilise open market operations in conjunction with bank rate policy mainly for reinforcing the effects of bank rate revision.

In under-developed economies, money market is less organised and hence the changes in the bank rate are not fully effective. Unorganised money markets are usually characterised by commercial banks which are not in the habit of rediscounting their securities regularly with the central banks. Only in emergency the recourse to rediscounting is taken. If rediscounting is not a normal and regular feature, the central bank is unable to feel the pulse of the money market and cannot effectively act as the bank of accommodation. In our country, for instance, even long after the establishment of the Reserve Bank of India, the commercial banks used to rediscount much more frequently with the Imperial Bank rather than with the central banking institution. Even at present the indigeneous banks in the country do almost no discounting business with the Reserve Bank or even with the organised commercial banks. The commercial banks generally are fond of excess liquidity and hence they do not need the financial accommodation when the bank rate is raised. The result is that a rise in the bank rate is not likely to be followed by a corresponding rise in the whole structure of market rates. Under such conditions the central banking institution is terribly handicapped.

In a developing economy the trend is likely towards a sharply declining cash deposit ratio and the consequent squeezing of liquidity ratio of commercial banks, with the increase in demand to finance development plans, the commercial banks'; excess cash reserves gradually fizzle out and they would be often forced to take the rediscounting facility of the central banking institution and that would help the credit regulation during the development process.

The potentiality of bank rate policy is believed to be in two directions. First, it serves as a regulating mechanism in the sphere of internal economic activities; second, it aims at controlling movements of short-term funds, and through them it tries to correct any disequilibrium in the balance of payments. The second aspect of the bank rate policy does not exist in India since we lack developed international market in short-term funds and because the character of our imports is mainly determined by government policy.

Even in the highly developed countries, the effectiveness of the bank rate policy is somewhat limited owing to the comparative unimportance of the rate of interest as a determinant of the volume of investment. This is more so in an imperfectly developed money and capital market. But the bank rate is expected to affect not only investment in fixed capital but also the process of accumulation or decumulation of stock. In India, institutional agencies supply only a small part of the finance for investment. Moreover, interest-elasticity of investment in fixed capital is almost negligible. There is little coordination between short and long rates. As a result any change in short money rate does not easily pass on to the long end of the market, affecting the volume of investment. Therefore, the bank rate policy hinges mainly upon controlling the process of building up of inventories.

imperfect market

The bank rate in this country has generally followed the market rates rather than giving a lead. Due to imperfect money market condition any change in the bank rate does not immediately produce sympathetic changes in other short money rates even in the organised banking sector dominated by the scheduled banks and exchange banks. The unorganised sector dominated by indigenous bankers, is almost independent of bank rate changes. There is a variety of short money rates in the unorganised sector of Indian money market. Usually the structure of interest rates is higher in the unorganised market because of the inadequate development in financial institutions and also because of the risk and uncertainty involved in lending to this sector.

With the establishment of State Bank of India in 1955 and the nationalisation of fourteen major commercial banks in 1969, there is now greater coordination between the rediscounting rate of the State Bank of India and the lending rates of the Reserve Bank. Monetary and financial institutions operating in both the organised and organised sectors, are being influenced indirectly by bank rate change since most of them greatly depend upon the State Bank's rediscounting facilities. In recent years, changes in bank rate have transmitted themselves to other parts of the money market in a much better manner than before. The Reserve Bank's accommodation constitutes a small proportion of total available banking funds, but it forms a substantial part of the seasonal increase in bank credit.

changes in the rate

Table I gives a clear picture of the absolute and relative changes in the bank rate since 1935 when the Reserve Bank of India was established and the bank rate was originally fixed at 3.5 per cent. Since then it has changed ten times. The first bank rate, fixed at 3.5 per cent in July 1935, was intended to bring India's diverse money rates in alignment with the then current rates in Britain. Within four months in November 1935, this rate was reduced to 3 per cent to see that a cheap money policy percolated into India's then thinly organised money market. So this was the first change for introducing cheap money policy by which commercial banks could get funds from the Reserve Bank. This rate continued for the next 16 years through the World War II and Independence.

The second change in the bank rate after November, 1935 was made on November 15, 1951, when it was raised to 3.5 per cent which was an indication of a flexible rate of interest to control the national economy in a better manner in future. The central banks of some other countries also increased their bank rate—Britain increased its bank rate from 2 per cent to 2.5 per cent. India was passing through the inflationary period in the middle of 1950 owing to the Korean war, the demand for war material was continuously rising, which resulted in the rise of price level. The general price index number which was 396 in 1950 rose to 438 in October 1951.

The immediate impact of the increase in the bank rate was that credit became dearer and the lending rates of the banks also increased. The general price index number went down from 480 in January 1952 to 367 in May 1952. During the years 1951-57, the bank rate changed only twice, once on November 15, 1951 and then on May 16, 1957 from 3 per cent to 3.5 per cent and from 3.5 per cent to 4 per cent respectively.

special significance

This change of 1957 had special significance for the budget of 1957-58. The increase in the bank rate was meant for checking inflationary situation and making the fiscal policy a success. However, the bank rate remained fixed at 4 per cent up to January 2, 1963, though as a result of the three-tier slab-rate system introduced in October 1960 and modified in July 1962, the effective cost of the Reserve Bank to scheduled banks was progressively raised during 1960-62. The device adopted during this period has been characterised as progressively rising penal rates of interest on loans given by the Reserve Bank.

It was announced that, effective from October 1, 1960, the scheduled banks would not be permitted to borrow from

TABLE I

Bank Rate in India: 1935-1974

	Effective date	Bank rate (%)	Change	
			Absolute	Relative (%)
	July 1935—initially the bank rate was fixed at 3.5%	3.5	—	—
1.	November 1935	3.0	—0.5	16.66
2.	November 15, 1951	3.5	+0.5	14.28
3.	May 16, 1957	4.0	+0.5	12.50
4.	January 3, 1963	4.5	+0.5	11.11
5.	September 26, 1964	5.0	+0.5	10.00
6.	February 17, 1965	6.0	+1.0	16.66
7.	March 2, 1968	5.0	—1.0	20.00
8.	January 9, 1971	6.0	+1.0	16.66
9.	May 30, 1973	7.0	+1.0	14.28
10.	July 23, 1974	9.0	+2.0	22.22

the Reserve Bank at the bank rate any amount in excess of the quota fixed for each. This quota for each bank would be 50 per cent of the average reserves the bank was needed to keep with the Reserve Bank during each week of the preceding quarter. Under the impounding orders, the rate of interest for borrowings between the quota and 200 per cent of the quota, would be the bank rate plus one per cent; and for any further borrowing it would be the bank rate plus 2 per cent. This three-tier system was the main instrument of credit control up to July, 1962 when a four-tier system was substituted for the three-tier. The Reserve Bank also directed all the scheduled banks to enforce a slightly higher minimum lending rate than that existed before on all advances excluding inter-bank advances. In a market where the degree of coordination is not usually very high, this type of control is often necessary.

For the fourth time the bank rate was revised from 4 per cent to 4.5 per cent on January 3, 1963. The increase in the bank rate was intended to formalise the pattern of interest rates established by the progressive modifications of slab-rate system. In fact in January 1963, the three-tier-slab-rate system was simplified into a two-tier system. Under this the cost of Reserve Bank finance for scheduled banks remained virtually unaffected. While under the three-tier system scheduled banks were required to pay 4 per cent on the first slab of 25 per cent of their borrowing, and 5 per cent on the next 25 per cent slab; now they were required to pay uniformly 4.5 per cent on both these slabs. For an additional quota beyond the statutory reserves, a penal rate of interest at 6.5 per cent was charged.

adjustment process

During this whole period characterised by the slab rate system, the Reserve Bank was not keen on directly ushering in a dear money policy. In fact, the Reserve Bank hesitated to raise the bank rate in an open and straight-forward manner. The bank rate followed market rate rather than serving as a signal and giving a lead. The entire process during this period should be viewed as an adjustment of bank rate in the light of happenings in the money and capital market.

The fifth revision of the bank rate was made on September 26, 1964, when it rose from 4.5 per cent to 5 per cent. The price situation, which was more or less stable during the initial years of the third Plan, was seriously upset by the Chinese aggression, which produced a steep rise in government outlay on account of the defence commitments. The balance of payment position also worsened, as the trend of expansion in exports observed in the first phase of the third Plan appreciably slowed down. On the other hand, payments on account of imports, both visible and invisible, registered a sharp increase. With aggregate demand standing well above aggregate supplies, the prices took very rapid strides; and a tightening of monetary policy was considered essential. The bank rate was raised twice within five months. In September 1964 at the time announcing the policy for the busy season, the bank rate was raised from 4.5 per cent to 5 per cent. For the sixth time the bank rate was raised to 6 per cent on February 17, 1965 and it remained at this level till March 1968.

The frequency of changes in bank rate indicates that the rate of 3 per cent signifying cheap money continued for a long inning of 16 years from 1935 to 1951; while the change-over to dearer money at 6 per cent for prime lending rate took place gradually in fractional steps in the next 14 years from 1951 to 1965.

price rise

Even a dear money policy could not deal with the problem of an excessive price rise. From 1965 to 1967 there was a price rise from 12 per cent to 14 per cent per annum; and under such circumstances even a 6 per cent bank rate was not enough for curbing either hoarding or speculative tendencies associated with sky-rocketting prices. During 1966-67 a recession developed amidst the inflationary situation; and some key industries, like textiles, jute manufacture and engineering, were facing the problem of excess capacity and consequently curtailed output. Therefore at the time of the presentation of the budget for 1968-69, the government had to announce fiscal and monetary measures for combating this recession. Quickly following the fiscal incentives for reviving the recession-hit economy and for encouraging capital formation, the Reserve Bank acted in the monetary sphere and made credit somewhat cheaper and reduced the bank rate from 6 per cent to 5 per cent on March 2, 1968 and there was a downward adjustment in other interest rates. This reduced rate which was initiated by the former Finance minister, Mr Morarji Desai, to bring about a revival of the engineering industry, continued for the next 22 months.

Thereafter, on account of emergence of inflationary conditions, the bank rate was again increased to 6 per cent on January 9, 1971. This increase in the bank rate suggested that the monetary authority had accepted, at least in principle, the economic truth that the excessive expansion of credit had very much to do with the rise in prices. The Reserve Bank wanted the curb on expansion of credit; and hence it also increased the minimum net liquidity ratio for the purpose of determining the penal rate of interest from 33 per cent to 34 per cent. The Reserve Bank also asked the banks to make adjustment in their deposits and advances rates and other measures designed to combat inflationary forces.

unprecedented increase

The ninth revision was made on May 30, 1973, when the Reserve Bank announced an unprecedented increase in the bank rate from 6 per cent to 7 per cent in a massive effort to curb inflation. It also expressed grave concern over the continuing imbalance in the economy between aggregate supply and aggregate demand; and also introduced certain measures for credit restraint in order to remedy the situation. While the productive losses particularly in the agriculture sector, had been an important cause of the spurt in prices, the continued heavy budgetary deficits also contributed to that increase. Under such circumstances the monetary authority considered necessary to adopt measures which could help reduce the pressure of aggregate monetary resources on the available supplies. Budgetary measures, particularly greater control over public expenditure, could provide the primary corrective, the better emphasis stressing the necessity of taking supporting measures of credit restraints.

It was further revealed that the rapid increase in the liquidity of banks tended to encourage relaxations in the terms of lending which in turn had encouraged borrowers to resort to excessive use of bank credit particularly for building up inventories. The measures of credit restraints included a rise in the statutory cash reserve ratio from 3 per cent to 5 per cent for a period of one year, a statutory fixing of 10 per cent interest on advances by banks, and finally a rise from 37 per cent to 39 per cent in the minimum net liquidity ratio at which the bank could borrow from Reserve Bank. But no changes were made in the rate of interest on deposits.

With effect from November 30, 1973, the Reserve Bank imposed the most rigorous credit squeeze it had hitherto attempted upon expansion of credit during the busy season. On December 1, 1973, the minimum lending rates to commercial bank advances had been raised from 10 per cent to 11 per cent. This resulted in making bank advances costlier by one per cent for virtually all types of borrowers, except individual small scale units with advance limit of less than Rs 200,000, individual agricultural borrowers with limits of less than Rs 50,000, and some other small borrower accounts and export credits. The rate for export credits was raised to 8 per cent on November 16, 1974.

countering inflation

The tenth revision was made on July 23, 1974 when the Reserve Bank announced an increase in the bank rate from 7 per cent to a crisis level of 9 per cent, which is the biggest bank rate in India's monetary history; and the increase of 2 per cent in one stretch is also the single biggest rise. The upward revisions to 60 per cent in January 1971, 7 per cent in May 1973 and 9 per cent in July, 1974 have been swifter on account of inflationary conditions. The change from 6 per cent to 7 per cent made in 29 months and the present change to a crisis level of 9 per cent made in a little over a year reflect the concern of the monetary authority over the rising inflation in the Indian economy.

The Reserve Bank has also stepped up the rates of interest on deposits and loans of commercial banks. The maximum rate on deposits with the larger banks has been raised from 8 per cent to 10 per cent. The minimum lending rate chargeable by banks on advances has also been increased from 11 per cent to 12 per cent. On advances against sensitive commodities subject to selective controls, the minimum lending rate goes up from 13 per cent to 15 per cent. Banks should build up progressively more effective internal control systems commensurate with the growing complexities of their large scale operations.

The Reserve Bank has recalled the various credit restraint measures it adopted from May 30, 1973 when the bank rate was raised to 7 per cent. It observed that although a marginal slow down in the growth rate of money supply was achieved, it was necessary to keep the rate of growth of money under great check. The details of the new lending rates and new deposit interest rates as introduced on July 23, 1974 have been shown in Tables II and III respectively.

The Reserve Bank has taken these steps as an anti-inflationary measure. It has been stipulated that these control measures are aimed at reducing higher liquidity with the member banks and making credit dearer. The attempt seems to be to slow down credit availability made by commercial banks to their customers by immobilizing a part of deposit growth with commercial banks. It is quite apt to describe the present situation as highly inflationary. It is expected that the stiff rise in bank rate may lead to corresponding increase in banks' lending rates so as to make borrowing from the banks more expensive. With this end in view, the variable reserve ratio has also been raised. If past experience is any guide, the technique of variable reserve requirements resorted to in March 1960, achieved limited success.

The Reserve Bank feels that the inflationary situation has arisen mostly because of excessive demand prevalent in the economy. Since the supply situation is relatively inflexible in the short run, it is contemplated that the crisis can be averted by controlling excessive liquidity in conformity with the requirements of a

TABLE II

New Lending Rates (with effect from July 23, 1974)

(Per cent per annum)

	Existing	Revised	
1. General minimum lending rate	11.0	12.5	
2. Selective control rates			
(a) Foodgrains	13.0	15.0	For all parties other than those exempted such as Food Corporation of India
(b) Oilseeds	13.0	15.0	
(c) Major vegetable oils and vanaspati	13.0	15.0	
(d) Cotton and kapas	13.0	15.0	
(i) To mills in respect of raw cotton stocks for which they are entitled for the benefit of lower margin as specified in the directive.	12.0	14.0	
(ii) Advance to mills not covered by (i) above and to parties other than cotton mills.	13.0	15.0	
(e) Sugar factories			
(i) Free sale sugar released by government of India for sale	13.0	15.0	
(ii) Free sale sugar not released by government of India	12.0	14.0	
(f) Parties other than sugar factories	13.0	15.0	
(g) Cotton textile (traders, dealers, agents)	13.0	15.0	
3. Bill Finance Rate			
(a) Drawers' Bills	9.5	11.0	
(b) Drawees' Bills	11.0	12.5	
4. Export credit rate (other than on deferred payments)	9.0	10.5	(with interest rate subsidy of 1½ per cent)
5. Food procurement credit			
(a) Food Corporation of India	9.0	11.00	
(b) State Government Agencies	9.0	12.00	

Source : The *Economic Times*, dated July 23, 1974.

sound financial policy. But it has been openly admitted by the Reserve Bank that the government is to be blamed for the current financial predicament. Frequent adjustments in credit policy by themselves failed to solve the problem, for continuing production losses—in both the agricultural and industrial sector —and prolonged heavy budgetary deficits significantly contributed to this increase in money supply.

It is indeed surprising that for a decade or so almost no monetary control worked effectively. The reason is obvious: when the public sector desires to expand its operation through deficit financing, monetary control of all types becomes inoperative. The fourth Plan provided deficit financing only to the tune of Rs 850 crores. After an imperative start in 1969-70, when the deficit touched the lowest ebb of Rs 58 crores, the overall deficit rose to Rs 395 crores in 1970-71 and to a record rise of Rs 710 crores in 1972-73. During 1973-74 it ran up to Rs 900 crores, the largest in the single year. During the current year the deficit financing is expected to be more than this. Under these circumstances the hike in the bank rate to the peak of 9 per cent and the supporting measures of credit restraints are not likely to succeed unless other basic causes of increasing prices are effectively tackled; for example, there should be an effective check on governments' growing unproductive expenditure.

expansionary factor

The monetary development in the fiscal year of 1973-74 so far reveals that the net bank credit to government continues to be a major expansionary factor while the net bank credit to the commercial sector has registered a decline. Thus the monetary control has been used by the Reserve Bank largely to control advances to the private sector. While shrinkage in productive credit has often led to losses in production, it is worthwhile to have in mind that an increase in production is the only permanent solution to the creeping inflationary trends in the Indian economy.

Experience of many developing countries has shown that high bank rate does not always provide an effective remedy to inflation. The bank rates are usually high in Latin American countries. For example the bank rate in Brazil is now 18 per cent, in Columbia 14 per cent and that in Peru 9.5 per cent. High inflationary trends, however, prevail in these countries despite high rate of interest. On the other hand, in the developed countries, the bank rates are generally lower; for exmaple, it is 4 per cent in Italy, 4.25 per cent in Japan, 4 per cent in the Netherlands, 5 per cent in West Germany and 4.75 per cent in Canada. It may be argued that relatively high bank rate is prevalent in certain developed countries like the UK and France, but the fact that those countries have well-organised money markets can not be ignored. Moreover the central banks have a strong control over every sector of the economy whereas in the under-developed countries a large segment of the economy is non-monetised, and hence the central bank's control is less effective. A dearer money policy in the context of an all-round shortage will not help to augment production. On the contrary, this may accentuate the inflationary potential which is already existent in the economy.

The Reserve Bank has rightly expressed its concern over the continued rise in uncontrolled public expenditure and over the rising imbalance in the economy between the aggregate supply and demand. If it was desired by the government to control credit for inventory accumulation, this could have been done by selective credit control measures instead of general increase in the advance rates. Unless the acute scarcity of raw materials—as is now being experienced by industries effectively—is made up, the tendency will always be there to build up inventories to meet contingencies. The industries require large credit to finance their stock of raw material.

Given the necessity for generating additional employment opportunities and the need of stepping up supplies to meet the primary economic and social objective, the focus of credit planning will necessarily have to be on productive and developmental aspects along with the furtherance of economic growth. The hike in bank

TABLE III

New Deposit Interest Rates

Class of deposit	Rate of Interest			
	1.4.73*	1.4.74*	23.7.74	
				(Per cent per annum)
1. Current accounts, deposits up to 14 days and deposits subject to withdrawal of repayment by notice for a period of 14 days or less	No interest except with the prior approval of the Reserve Bank of India.			
2. Savings accounts	4.0	5.0	5.0**	
3. Fixed deposits				
(1) 15 days to 45 days	2.75	3.0	3.0	
(2) 46 days to 90 days	3.25	3.5	3.5	
(3) 91 days to less than 6 months	4.75	5.00	5.5	
(4) 6 months to less than 9 months	5.25	5.5	6.0	
(5) 9 months to less than 1 year	5.25	6.25	7.0	
(6) 1 year to less than 2 years	6.0	6.75	8.8	(1 year and above but less than 3 years)
(7) 2 years and above and up to and inclusive of 3 years	7.0	7.25		
(8) Above 3 years up to and inclusive of 5 years	7.0	7.75	9.0	(3 years and above and up to and inclusive of 5 years)
(9) Above 5 years	7.25	8.0	10.0	

* Scheduled commercial banks with demand and time liabilities up to Rs 50 crores were allowed to pay an additional interest of between 1-8 and 1-2 per cent per annum on all classes of deposits bearing interest upto 22.7.1974. This concession is now withdrawn.

** With effect from 23.7.1974 banks with demand and time liabilities below Rs. 10 crores are allowed to pay an additional interest of 0.5 per cent per annum on savings deposit only.

Source: The *Economic Times*, dated July 23, 1974.

rate will have far-reaching effects on the productive front. Instead of controlling inflation, such a measure will add further fuel to the fire of inflationary pressure developing fast in our economy. It would result in the increase of prices instead of curbing inflation.

As far as the inflationary situation is concerned the only criterion to justify the increase in bank rate can be: would it help to bring down prices? If the purpose is to restrict bank credit, it is likely that this symbolic measure will fail to achieve the purpose. It is feared in business circles that the Reserve Bank's action will lead to a rise in the cost of production which would be passed on to the consumer. It is also argued that it will result in further rise in prices and the whole purpose of fighting inflation through dearer money policy would be defeated.

So long as the fiscal policy of the central and state governments continue to be indiciplined, people will have sufficient spending power at their disposal. There is some truth in this argument. We have a unique situation in which the country has been witnessing deficit financing by the government as well as by the private sector. The Reserve Bank has made a feeble effort to curb the deficit financing by the private sector. But in the matter of monetary policy half-hearted measures are worse than no measures. What is required is the logical and courageous rethinking on credit expansion which has been pushed up beyond measure by the wild promises of politicians in a hurry.

Before taking a symbolic measure on bank rate with numerous exemptions for providing cheap credit, the monetary authority should accept the basic principle that, in a capital-scarce developing economy, what is crucially important is not the cost but the timely availability of credit. A small man or a farmer in need of credit goes to the money lender, though he knows him to be rapacious, because his credit needs are met expeditiously. Unless we tackle this fundamental question of cost and availability, any amount of tinkering with the monetary policy would be a self-defeating proposition.

In fine it may be pointed out
India at present requires neither a
fledged dear money policy nor the t
tional type of cheap money. We sh
take a middle course of action and pe
a policy of flexible interest rate and
will be in conformity with the Res
Bank's overall policy aiming at contr
monetary expansion.

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Cotton textile industry

Depreciation policy in Rajasthan

N. K. Sharma

A STUDY was conducted by the author to examine the depreciation policy of cotton textile industry of Rajasthan. Out of the 16 cotton textile units, a survey of eight units, covering 80 per cent of total fixed assets of the industry, was made. The survey covers a period of 17 years from 1956 to 1972. It was found that the companies surveyed use either the straight line method or the written down value method for preparing their financial accounts. Three units use the straight line method and the rest five units use the written down value method.

There is no costing system practised in three units out of the eight units. The remaining five units keep systematic record of their cost. Out of these five units, four units use the same figure of depreciation in the accounts of various processes as calculated for the financial accounts, but one unit allocates the amount of depreciation to the various processes based on charging lesser amount to spinning process and more amount to weaving process.

The methods of writing off depreciation followed by the various units for financial accounting, cost accounting and tax accounting are as detailed in table on page 839.

No change has been made during the period surveyed in depreciation methods in seven units. Only one unit changed its depreciation method from written down value to straight line method due to losses. One company reported that it favoured a change from written down value method to the straight line method because it gives equal charge of the amount of depreciation over the life of the assets.

Three companies keep detailed fixed assets records, four companies keep o
plant registers and one company d
not keep any separate record of its fi
assets.

Six companies provide depreciat
on itemwise basis while two compa
provide on groupwise basis. Seven c
panies charge cost of additions
betterments to the account of the as
already in existence and only one comp
keeps a separate account of the additi
etc. During the period surveyed o
one company undertook revaluation
fixed assets at the time of taking over
administration by the government.

Out of eight units, six units state
purpose of charging depreciation as
allocation of cost and two units as
valuation of assets. No company cha
ed depreciation for making provision
future replacement.

The information about depreciat

is also disclosed by five units in the notes to the balance sheets and in directors' reports, by two units in the notes to the balance sheets, in the directors' reports and in the chairman's speeches and by one unit in the directors' report only.

Every company makes systematic economic analysis before taking major replacement decisions. In one unit the general manager, the financial executive chief accountant and the engineer participate while in another unit the managing director, the financial executive, the chief accountant and the engineer participate. In four units the secretary, the financial executive and the engineer participate. In two units a nominee of the National Textile Corporation also participates. This is shown in the following table :

Participation by Type of Executives

	No. of units
General manager, financial executive, chief accountant and engineer ..	1
Managing director, financial executive, chief accountant and engineer ..	1
Secretary, the financial executive and engineer ..	4
Nominee of National Textile Corporation with the chief executive of staff ..	2
Total	8

In five units there is no regular and systematic programme to finance replacements while three units have this programme. Replacement of assets is financed by four units by borrowing from the Rajasthan Finance Corporation, by two units from both internal and external sources, and by two units only from internal sources.

During the period of study it was observed that only one unit deferred major replacement of fixed assets for lack of funds.

It was reported to the writer that three units are satisfied with the existing provisions regarding depreciation in the Income Tax Act and Rules and in the Companies Act and five units are not satisfied with the same because the rate of depreciation is very low.

No unit measures the rise in the replacement cost of assets. Six units would like to use the replacement cost basis for writing off depreciation, if it is recognised by the Income Tax Act and the Companies Act but two of the units do not favour this method for charging depreciation, even if it is recognised because they are of the view that it will not disclose true and fair position of the unit in financial accounts.

long-term liability

The amount recovered through annual depreciation charges is applied by five companies in increasing net working capital, two companies applied the amount in acquisition of new fixed assets for expansion and one company applied it in financing specific replacement. No company applied the amount in replacement of long-term liability.

Three companies rectify their past mistakes in charging depreciation to current year's profits, two companies rectify past mistakes to general reserve and three companies do not rectify the mistakes.

It was found that there is no system of premature retirement of plant and machinery in any company but the main reason of retirement in five companies was obsolesence, in one company lack of good maintenance, in one company due to accidents, and in one company heavy of plant machines.

Three companies consider depreciation in ascertaining the cost of finished stock and work in progress, while five companies do not follow this practise.

The plant and machinery replaced in three units was scrapped, sold in second hand market and put into internal use. By two companies it was sold in second hand market, by one company it was sold in second hand market and kept idle, and by one company it was scrapped only, and by one company it was scrapped and sold in second hand market.

Thus it can be obscrevd that the depreciation policy followed by the eight units under study is varied.

It is suggested that each unit should prepare its cost accounts and follow its own depreciation policy in such a manner that correct allocation of depreciation becomes possible. For the cotton textile industry the process costing system appears to be the most suitable system and depreciation should therefore be allocated to each process based on the cost of fixed assets employed in that process.

Further, it will be better if the cotton textile units apply the amount of depreciation for acquisition of fixed assets. A sound depreciation policy will emerge if in these units the managing director, the chief accountant the engineer and the financial executive participate in its formulation. They should use their combined experiences for taking decisions for replacement of fixed assets. Every unit should have a regular and systematic programme for the purpose of financing replacements.

amending the act

It is also suggested that the Income Tax Act and Rules and Companies Act may be amended so as to permit writing off depreciation at a higher rate so that the cost of fixed assets is fully written off say within 10 years. The decision of the government to abolish development rebate on machinery installed after May 31, 1974, will give a set-back to the modernization of this industry. The proposed initial depreciation as a substitute will not be so helpful, because it helps an enterprise to anticipate the depreciation but does not allow it to depreciate the asset in excess of 100 per cent of its value as was possible under the development rebate. It is finally suggested that depreciation based on replacement cost should be used by the cotton textile units in Rajasthan at least for cost accounting purposes.

Methods of Writing Off Depreciation

Unit	Financial Accounting	Cost Accounting	Tax Accounting
A	Straight line	—	Written down value
B	Written down value	—	-do-
C	-do-	Written down value	-do-
D	-do-	-do-	-do-
E	-do-	Specific allocation	-do-
F	Straight line	Straight line	-do-
G	Written down value	No	-do-
H	Straight line	Straight line	-do-

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BHUBANESWAR.

Consumption of pesticides in Kulu orchards

S. C. Tewari, R. K. Sharma
and G. D. Vashist

AGRICULTURAL PRODUCTION and efficiency depend largely on imputs, investments and technology used. With the introduction of the new agricultural strategy, i.e. high yielding variety programme, multiple cropping, plantation of orchards in hilly area etc., the importance of plant protection measures has increased, because without their adequate and timely uses the expected returns against costly imputs would be nullified, causing frustration and lack of faith in the agricultural development programme and policy. The present study was undertaken to examine the consumption pattern of pesticides in Kulu valley with the following specific objectives:

i) To identify the consumer's characteristics and pattern of pesticide use.

ii) To estimate the pesticides consumption and further demand in the district as a whole.

Four villages in each of the three selected blocks in Kulu district were selected at random having sizeable area under orchards. A list of orchard owners with the number of fruit trees was prepared. The farmers were stratified into different size group according to the proportion of the area of fruit trees per farm. Fifteen orchard owners were allocated among different size-groups according to the proportion of the number of farmers in each size group to the total number of farmers in the village. The allocated number of orchard owners were selected at random from each size-group. A list of non-orchard owners was prepared from the villages and a random sample of five farmers was selected. Thus a total sample of 180 users of pesticides and 60 non-users was selected for detailed study. The study was conducted in the year 1970-71.

The study showed that the average size of holding of users of pesticides was nearly three times that of non-users. The average size of holding for non-users was 1.9 acres whereas the figure for users was 5.1 acres. The study also revealed that 24.28 per cent of the total land owned by the users had been leased out whereas non-users leased in 9.6 per cent of the total operated area. The average cropped area of a user was 8.04 acres and for non-user it was 3.32. There was a significant difference in the cropping pattern of users and non-users. The users had 47.51 per cent area under food crops to total cropped area while in case of non-users the share of food crops was 87.95 per cent. The intensity of cropping was more in case of non-users (174.7) as compared to users (157.60). The reasons for low intensity of cropping in case of users may be attributed to more area under orchards.

An attempt has been made to study the differences in economic aspects of farming for users and non-users. In this study economic aspects of farming are confined to cash and kind expenditure, value of farm output and farm business income.* The gross value of produce per farm in case of users group was Rs 5080 as compared to Rs 1054 for the non-users category, i.e. about five times more.

Apple (77.44%) wheat (8.17%) and maize (7.91%) were the major contributors towards gross income in users category while maize (32.26%), wheat (30.46%) and apple (20.68%) in case of non-users. In case of non-users, the lion's share of the total output was contributed by food crops (76.09%) whereas in case of non-users, it was contributed by cash crops (79.17). The average expenditure per farm was Rs 140 and Rs 189 for users and non-users respectively. Among different crops the share of apple was 81.21 per cent in case of users while it accounted for 34.39 per cent of total cash and kind expenditure. The data was further analysed on per acre basis for different size of holdings and is summarised in Table I.

From Table I it can be observed that the per acre gross income, expenditure and farm business income was Rs 740, Rs 208 and Rs 532 respectively for users whereas corresponding figures for non-users were Rs 325, 99 and 226 respectively. It could be observed from the table that per acre farm business income in the case of users increased with the increase in size of holding except in the farm group >25 acres. On an average the per acre farm business income was higher in case of users as compared to non-users and also in different size groups. The reasons for this may be attributed to the

TABLE I

Users' and Non-users' Per Acre Gross Income, Expenditure and Farm Business Income for Different Size Groups.

Size group in acres	Gross income		Expenditure†		Farm business income	
	Users	Non-users	Users	Non-users	Users	Non-users
Below 2	923	683	171	83	752	590
2-5	843	371	157	73	686	293
5-10	704	651	191	190	518	461
10-15	1165	—	312	—	853	—
15-20	1469	—	235	—	1234	—
20-25	1935	—	438	—	1494	—
25 & above	1119	—	547	—	572	—
Average	740	325	208	99	532	226

†Cash and kind expenditure.

---

* Cost A. concept has been used in the study, and farm business income means difference between the value of total farm production and cash and kind expenditure.

differences in the productivity in apple. Because the apple growers were mainly users of pesticides, the user category of farmers shows a better performance as compared to non-users in all economic performance.

The users were further classified according to different levels of expenditure they had incurred on pesticides during the year 1969-70 and summarised in Table II.

It is evident from Table II, that more than 53 per cent spent less than Rs 19 per farm whereas more than 15 per cent of farmers spent more than Rs 100 per farm and their total share in the market was more than three-fourths. The distribution of sample was highly skewed.

To identify the different groups of farmers the following characteristics of users were studied according to different levels of pesticide expenditure level by using X^2 test.

TABLE III

Characteristics of Users According to Level of Expenditure on Pesticides

Characteristics of users	Chi-square values	Degree of freedom
Size of farm	30.72**	2
Age of users	8.41*	3
Education	29.16**	3
Irrigation	28.16**	2
Fertiliser use	66.27**	2
Farming experience	5.03*	2

**Significant at one per cent probability level.

*Significant at 5 per cent probability level.

From Table III it is evident that there was significant association of all characteristics of users except farming experience with use of pesticides per farm. The study also showed that at aggregate level, the ratio of fertilizer expenditure to pesticide expenditure was 61:39. The ratio was varying considerably amongst different pesticides and fertilizer groups. Thus, it is not enough to see the relationship between expenditure on fertilizer and pesticide. Therefore we further analysed the data to establish whether the intensity of fertilizer was related to the intensity of users of pesticides. Table IV showed this relationship.

It is evident from Table III that fertilizer expenditure is directly related to pesticides expenditure. The expenditure on pesticide per acre was highest for those who spent between Rs 30-50 per acre on fertilizer as compared to other fertilizer users groups. More than 46 per cent of the total expenditure on pesticides was incurred by this group of farmers whereas they had incurred nearly 19 per cent of total expenditure on fertilizer and area cropped by them was more than one-sixth of the total cropped area of users. The reason for higher expenditure on pesticides may be attributed to peculiarity of orchard cultivation.

To identify the factors influencing the pesticides use, the following multiple linear regression equation was used:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + b_9x_9$$

Y = Pesticides expenditure per farm
x_1 = Number of apple trees in a
group of .. .. 5 years
x_2 = —do— 5-10 yea
x_3 = —do— 10-15 ,,
x_4 = —do— 15-20 .
x_5 = —do— 20-25 ,
x_6 = —do— 25 ,
x_7 = Distance travelled in miles to pu
chase pesticides.
x_8 = Gross value of output apple p
farm.
x_9 = Fertilizer expenditure per farm.
b_1-b_9 = regression coefficients of respe
tive independent variables.

$$Y = 12.0041 + .2011\ x_1 - .1151\ x$$
$$- 4013\ x_3 - 1.4394\ x_4 - 14.973$$
$$x_5 - .3585\ x_6 + 2.5316\ x_7 + .018$$
$$x_8 + .1911\ x_9$$
$$R^2 = .97$$

The multiple linear regression equation shows that different variables depict ing the number of trees of varying ages distance between orchard and the neares market place from where the pesticide

TABLE II

Distribution of Farmers According to Level of Expenditure Per Farm

Pesticides expenditure level per farm (Rs)	No. of farmers	Total of expenditure (Rs)	Average expendi ture on pesticides farm (Rs)
Less than 5	23	139	3.9
5-10	25	219	8.7
10-25	15	833	18.5
25-50	31	1136	36.6
50-100	17	1333	78.4
100-200	10	1443	144.3
200-500	9	2790	310.0
500-1000	4	3373	843.2
More than 1000	4	12006	3001.5
Average	180	23272	129.2

TABLE IV

Intensity of Fertilizer and Pesticide Use

Fertilizer expenditure per acre (Rs)	No. of users	Acre cropped (acres)	Per crop acre expenses on	
			Fertilizer	Pesticides
Less than 10	74	457.2	4.6	3.7
10-20	26	237.2	14.9	5.3
20-30	16	74.2	25.9	7.6
30-50	23	213.7	32.3	51.0
50-75	18	89.0	62.0	25.2
Above 75	21	165.2	94.7	39.2
	180	1236.6	30.0	18.8

were purchased, gross value of output (apple) and fertilizer expenditure per farm were significantly related to pesticide expenditure. The number of trees below five years of age had a positive coefficient whereas the number of trees above this age group had negative coefficients. This could be explained in the sense that as the number of trees below five years increased in an orchard the expenditure tended to increase by 20 paise per additional tree. But as the orchard became old and the number of trees above five years of age increased there was a tendency for pesticide expenditure per farm to decline. One mile of increase in distance between pesticide market and orchard increased pesticide expenditure by Rs 2.5; for every one rupee increase in fertilizer expenditure pesticide expenditure increased by 19 paise. All the variables discussed above explained 97 per cent of variation caused in pesticide expenditure.

An attempt has also been made to estimate the value of pesticide business in the district. In calculating the estimates of the total expenditure the sample of 180 user farmers was treated as simple random sample. The estimates of the average pesticide expenditure per farm and the total pesticide expenditure in the district were Rs 121.33 and Rs 5.61 lakhs respectively and their respective standard errors were estimated to Rs 35 and Rs 1.62 lakhs respectively. The 95 per cent confidence limits of the district estimates were Rs 8.85 lakhs and Rs. 2.37 lakhs.

The demand for pesticides in the district was also estimated. The past trend of pesticides in Kulu district reveals an increasing trend. This increase can be explained by two factors: (i) the increase in the rate of expenditure per farm and (ii) the expansion of area under new orchards. In calculating the future demand the following assumptions were taken into consideration: (i) the average expenditure per farm would increase by 25 per cent and area under orchard would also increase by 25 per cent, (ii) pesticide expenditure on non-orchard crops would also increase. On this basis the total expenditure on pesticide for the district as a whole would be Rs 9.7 lakhs in 1973-74.

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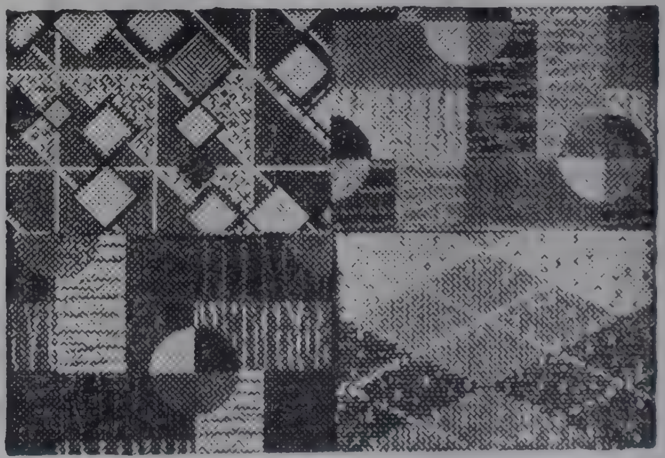

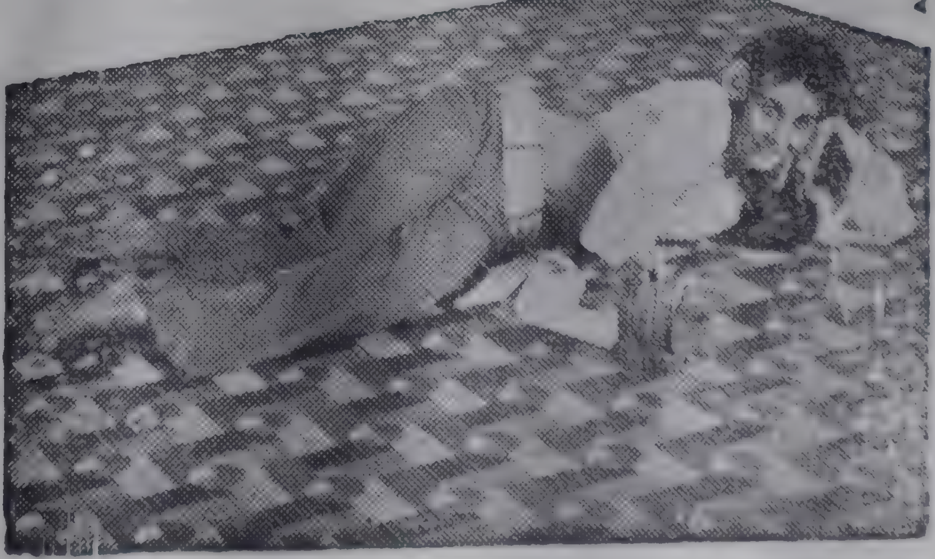

History :

The Company was promoted by J. Thomas & Co. Pvt. Ltd., Calcutta, on 20th August, 1973, and commenced its business on 10th October, 1973.

Objects of the Issue :

The Issue is being made for providing finance required for working capital, repayment of unsecured loans from the promoters, and to meet part of commitments on foreign currency loans.

Project and Progress :

In February 1974 the Company purchased two 24,600DWT sister-ships namely M. V. Falkanger and M. V. Fossanger (since renamed as M. V. Alexandra 'N' and M. V. Charisma 'N') respectively)from M/s. Westfal Larsen & Co., A/S of Bergen, Norway, each at a price of U. S. $ 7,200,000. Identical in all essential respects, each ship is equipped with the latest navigational aids and cargo handling equipment. The Company has entered into two separate Agreements in December, 1973 with Messrs. Himoff Maritime Enterprises Ltd.—a large American Company, under which the Company chartered both the ships at very attractive rates for a period of 24 months for world wide trading within Institute Warranty limits. Under the terms of the Time Charter Agreements, the cost of bunker fuel is entirely on account of the Charterers. The Company has also entered into an agreement with Mackinnon Mackenzie & Co. Pvt. Ltd., Bombay, a Member of the P & O Group, one of the largest shipping combines in the world. Under this agreement, the Company will have the benefit of their association in all operational aspects of international maritime trade.

Prospects and Profitability :

Shipping Industry in India is still in a nascent stage and the scope for profitable expansion appears to be limitless. The estimated 5th plan target for Indian Shipping is 8.6 million tonnes GRT which means adding a million tonnes of shipping strength each year to the country's tonnage. Based on their faith in the shipping future in the country, the Company is planning to initiate negotiations for purchase of additional bulk carriers of similar tonnage in the immediate future. The Company has also plans to diversify in other correlated shipping activities such as coastal shipping, inland water transport and chartering in of ships. Even on its present operation of two bulk carriers, the projected return on capital employed is quite remunerative in the overall context in India. Considering the commercial expertise and knowledge of the Directors and the Company's operating agents, the growth prospects appears to the bright. The Directors consider that, barring unforeseen circumstances, the Company would be in a position to pay a reasonable dividend after the second year of operation. Development Rebate is admissible to the Company in respect of the two ships purchased.

Share Capital :

Authorised :
20,00,000 Equity shares of Rs. 10/- each Rs. 2,00,00,000

Issued, Subscribed and fully paid-up :
6,80,000 Equity shares of Rs. 10/- each Rs. 68,00,000

Present Issue :
10,20,000 Equity shares of Rs. 10/- each Rs. 1,02,00,000

Terms of Payment :
On application : Rs. 5 per share
On allotment : Rs. 5 per share

ISSUE MANAGED BY:

CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LTD.,

PLACE, SIDDONS & GOUGH (PVT.) LTD.

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Partner :Orr,
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Company Dir
Director, Gen
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Protos Enginee
and Director of

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Gandhi Rd., Bombay-400 023.

Mercantile Bank Ltd., 8, Netaji Subhas Road,
Calcutta-700001.

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Syndicate Bank, 10, Homji Street Bombay-400 001.
Bank of India, 70/80 Mahatma Gandhi Rd., Bombay-400 001.
Mercantile Bank Ltd., 52/60, M.G. Rd., Bombay-400 001.
Vijaya Bank Ltd., Raj Mahal, Veer Nariman Road
Bombay-400 020.
The Bank of Karad Ltd., 24 B/D, Hamam Street
Bombay-400 001.

Solicitors

Orr. Dignam & Co., 29, Netaji Subhas Road, Calcutta-700001.

Auditors

Lovelock & Lewes, 4 Lyons Range, Calcutta-700 001.

Issue House

MAS Services Pvt. Ltd., A2/118, Safdarjung Enclave,
New Delhi-110 016.

Underwriters & Brokers to the Issue :

The entire issue now offered to public for subscription has been fully underwritten as follows :

Institutions:	Amount underwritten (Rs. in lakhs)
The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay-400 020.	7.00
Unit Trust of India, 45, Veer Nariman Road, Bombay-400 001.	7.00
Oriental Fire & General Ins. Co. Ltd., Mahatma Gandhi Road, Bombay 400 001.	5.00
National Insurance Co. Ltd., Ruby House, 8, India Exchange Place, Calcutta-700001.	4.00
The New India Assurance Co. Ltd., 87, Mahatma Gandhi Rd., Bombay-400 001	2.50
Syndicate Bank, 10, Homji Street, Bombay-400 001.	5.00
Bank of India, Express Towers, Nariman Point, Bombay-400 021.	5.00
Vijaya Bank Ltd., Rajmahal, Veer Nariman Road, Bombay-400 020.	5.00
The Bank of Karad Ltd., Raja Bahadur Compound, 24-B/D, Hamam Street, Bombay-400 001	5.00
Brokers	
Bombay	
Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street.	10.00
Batlivala & Karani, Union Bank Building Dalal Street,	2.00
D. S. Purbhoodas & Co., Stock Exchange Bldg., Apollo Street.	1.00
Jamnadas Morarjee & Co., 5-A, Hamam Street.	2.00
Jasvantlal Chhaganlal, Bhupen Chambers, Dalal St.	1.00
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Maganlal T. Vora, Bhupen Chambers, Dalal St.	1.00
Porecha Brothers, 19, Stock Exchange Bldg., Apollo St.	1.00
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Indore	
Govind Das Shrikishan Agrawal, 97 M. T. Cloth Market.	...
Bangalore	
M. Nanjappaiah Jahgirdar, 205, Cavalry Road.	...
Vijai & Co., 9, Eleventh Main Road, Malleswaram	...
	102.00

The above underwriters brokers (except the Financial Institutions, Insurance Companies and Banks) are also acting as Brokers to the Issue.

How to Apply

1. Obtain copies of Prospectus and Application Forms from the Registered office of the Company and/or from the Brokers, Underwriters, Bankers and Managers to the issue mentioned above.

2. Fill and sign the Application Forms (Applications must be for 50 shares or for multiples of 50) and deliver them together with Cash or Bank Draft or Cheque at the rate of Rs. 5/-per share to any of the branch of Banks listed in the application form: Cheques and Drafts should be drawn on Bank/s situated in the town where applications are submitted.

Opening Date

Monday, the 18th November 1974

Closing Date

Thursday, the 28th November, 1974,
but not earlier than Thursday,
the 21st November, 1974

bay Stock Exchanges for permission to deal in and for an official quotation for the Equity shares of the Company.

Imageads

Kissinger on Indo-American relations

This is the text of the address by Dr. Henry A. Kissinger, Secretary of State, USA at the Indian Council of World Affairs, New Delhi, on October 28, 1974

I AM honoured to be invited to address such a distinguished gathering. For the basic objective of this organization—to comprehend, communicate, and help shape the state of world affairs—has been the central purpose of my own life since long before I served in government. And I since have found that the statesman, too, has no more important task.

Former President Radhakrishnan once said, "Life becomes meaningful only when we grasp the character of the age we live in, see its significance, understand the objectives it sets us and strive to realize them."

WINDOW ON THE WORLD

The fundamental reality of *our* age is that we live in a world inextricably linked by interdependent economies and universal aspirations, by the speed of communications and the spectre of nuclear war. The political lesson of our age is that the national interest can no longer be defined or attained in isolation from the global interest. And the moral challenge of our age is to free ourselves from the narrow perception of the nation state and to shape a conception of global community.

The three years since I was last in New Delhi have seen profound changes in the relationship between India and the United States, in the whole region and in the world.

On my last trip to South Asia I paid my first visit to Peking. On this trip I have visited Moscow. Moving about among capitals only recently considered hostile is a new pattern for the United States. It signifies the transition from a bipolar world locked in confrontation and seemingly destined for some final encounter to the new world of dispersed power and reduced tension.

This changed environment is more complex and therefore, for some, less assuring. Yet we see it as a world of hope. For the process of detente among major powers has not made the world more complex; it merely signifies that leaders have recognized its complexity. Those who ought always to have known how serious is man's predicament have learned how little benefit confrontation brings and how absolute is the need for cooperation.

This has not been an effortless transition for the American people. Nor is it without difficulties in other nations of the world. For it requires coming to terms with less simple views of right and wrong, of the possible and the ideal than have permeated political thinking for a generation.

This new American view, it is appropriate to acknowledge, owes much to an old vision of India's national leaders. Jawaharlal Nehru perceived the impermanence of the post-war world—into which India was born—of frozen hostility between the super-powers and their insistent efforts to enlist other nations on one side or the other. Under Nehru and since, India sought to deflect, to moderate and to redirect those forces. This was the origin of the concept of non-alignment.

It is not necessary to debate now whether the United States should have welcomed the concept at that time in order to agree that in the present world it is for nations such as India an altogether understandable and practical position. The United States accepts non-alignment. In fact, America sees a world of free, independent, sovereign states as being decidedly in its own national interest. Support of national independence and of the diversity that goes with it has become a central theme of American foreign policy.

a new approach

Nowhere is this clearer than with respect to South Asia, where a fifth of mankind lives. In testimony before the US Senate Foreign Relations Committee six weeks ago, I stated this principle of American foreign policy in explicit terms: "We do not look at the subcontinent as being composed of some countries that are clients of China, others that are clients of the Soviet Union, others that should be clients of the United States. We believe that we can have productive relationships with all of them. And we believe also, especially with respect to India, that our relations are in a stage of dramatic improvement."

The warming of our bilateral relations has been increasingly manifest for some time. It began inevitably as the Simla process began; and it has proceeded and strengthened as that process has proceeded and strengthened. For it was conflict within the subcontinent that brought the involvement of outsiders in the first place. And correspondingly, the region's political capacity to resolve regional conflicts has, to a considerable degree, diminished outside involvement. President Ford has asked me to affirm that the United States strongly supports the efforts of peaceful settlement on the subcontinent, free of imposition, or pressure or outside interference. We want political stability and economic success for South Asia. That is what we believe south Asians hope for, and what the rest of the world should hope for as well.

The statesmanship of all of South Asia's leaders has been at the heart of this process. It has taken great courage to persevere toward the goal agreed upon by Pakistan and India at the Simla Conference in 1972: "The promotion of a friendly and harmonious relationship and the establishment of a durable peace in the subcontinent."

The size and position of India give it a special role of leadership in south Asian and in world affairs. They confer on it at the same time the special responsibility for accommodation and restraint that strength entails. The United States recognizes both these realities. They are wholly compatible with the close friendships and special bonds we have with all the nations of the region. As we wish south Asia well, we wish India well.

durable relationship

Thus a more mature and durable relationship is emerging between India and the United States—one which leaves behind the peaks and valleys of the past.

Both India and the United States still consider themselves youthful nations. The restlessness, the striving and the ideals of our people attest to the reality of that image. But a basic quality of youth—enthusiasm unseasoned by experience—often caused us to assume or expect too much. We are two great nations of independent judgement and perspective; often our zeal and moral convictions have led us into disagreements with a passion that might not have been present had we not been conscious of similar ideals.

For a quarter of a century our relations tended to oscillate between high expectation and deep suspicion. The low point occurred in 1971 when a basic disagreement flowed from different political judgements. We faced these differences candidly: that crisis is now behind us. We have surmounted past strains and moved ahead with promise. We can now build our relationship free of past distortions and conscious of the interests and values we share.

From the events of the past—from our experience with the world as well as yours—we have both developed a more balanced view. Both of us independently have come to temper our zeal and to understand limitations on our ability to bend the world to our expectations. In parallel with this, in our relations with each other we both stress the basic compatibility of our interests. This promises to provide a durable basis for cooperation and friendship.

America's purposes

For our new relationship to thrive, a great deal depends on our mutual understanding. Nations face different problems and different opportunities—their perspectives and power inevitably vary. Let me therefore briefly sketch America's broader purposes—especially as they have evolved in recent years in a changing international environment.

Around the world today, the new and the old coexist in uneasy equilibrium. The frozen international landscape of the past quarter century has begun to thaw but we have yet to put a durable structure of cooperation in its place. A new era of stability has begun in Europe and Asia, while chronic disputes in the Middle-East and Indochina still endanger regional and global peace. The United States and the Soviet Union have perceived a common interest in avoiding nuclear holocaust, while some potential for conflict persists and the arsenals of the two sides continue to grow. The United States and the People's Republic of China have succeeded in overcoming two decades of estrangement, but important differences in philosophy remain. And as the old blocs among old powers decline, new blocs among new nations threaten to emerge.

The United States sees its central task today as helping the world to shape a new pattern of stability, justice and international cooperation. We have rejected the old extremes of world policeman and isolation. But we recognize that America's principles, strength and resources impose upon us a special responsibility.

Our goal is to move toward a world where power blocs and balances are not dominant; where justice not stability can be overriding preoccupation, where countries consider cooperation in the global interest to be in their national interest. For all that has been achieved; we must realize that we have taken only the first hesitant steps on a long and arduous road.

The United States has three principal policy objectives:

First, America has sought to foster a new spirit of responsibility and restraint among all powers.

The cornerstone of our foreign policy is—as it has been for a generation—our partnership with our Atlantic allies and Japan. Theee bonds have served both the world's peace and its prosperity. Our cooperation provided a solid foundation for efforts to reduce tensions with our adversaries. It has enabled us to contribute to world economic growth. And the nations which provide the industrial, financial and technological sinews of the global economy now share a heavy collective responsibility to concert their efforts in a time of global economic stress.

In the last five years the United States has also sought to put its relations with the Communist powers on a new and steady basis.

Since the dawn of the nuclear age, man's fears of holocaust and his hopes for peace have turned on the relationship between the United States and the Soviet Union. Never before have two nations had the physical ability to annihilate civilization. Never before has it been so important that the two nuclear giants maintain close contact with one another to avoid conflicts which would menace other nations as much as themselves.

Progress has been achieved in our relationship with the Soviet Union which would have been unthinkable a decade ago. We take the easing of tensions for granted only at the risk of the return of confrontation. In my discussions in Moscow I stated yet again the determination of the American government to maintain the momentum of the process of detente, and was assured by the Soviet leaders that they shared this intention. The United states will persevere to reduce military competition with the Soviet Union in all its aspects; to ensure that our political competition is guided by principles of restraint especially in moments of crisis; and to move beyond restraint to cooperation in helping find lasting solutions to chronic conflicts.

stable peace in Asia

America's relations with the People's Republic of China are also of fundamental importance. There cannot be a stable peace in Asia—or in the world—without a pattern of peaceful international relationships that includes this powerful and talented nation. It was essential to end a generation of mutual isolation and hostility.

Yet rapprochement with the People's Republic of China is not sought at the expense of any other nations; on the contrary it attempts to serve a wider purpose. The principles of the Shanghai Communique commit our two nations to respect the independence, sovereignty and integrity of all countries as we work to improve our own relationships.

Our relations with the non-aligned countries are another pillar of our foreign policy. No accommodation among countries, however powerful, can be durable if negotiated over the heads of others or if an attempt is made to impose it on others. Our attitude toward the non-aligned will be based on the principles of equality, mutual respect and shared endeavours and on the premise that all countries have a stake in a peaceful world. Condominium, hegemony, spheres of influence are historically obsolete and morally and politically untenable.

It is a corollary of this, however, that bloc diplomacy of any kind is anachronistic and self-defeating. We see a danger of new patterns of alignment that are as artificial, rigid and ritualistic as the old ones. The issues the world faces are so urgent that they must be considered on their merits, on the basis of their implications for humanity, and for world peace—rather than on some abstract notion of ideological or bloc advantage. In a real sense the world is no longer divided between East and West, North and South, developed and developing, consumer and producer. We will solve our problems together or we will not solve them at all.

Second, America seeks to limit and ultimately to reduce nuclear weapons competition.

The relaxation of international tensions cannot survive an unrestrained arms race by the two strongest nuclear powers. And international stability will be seriously jeopardized by the proliferation of nuclear weapons. This is why the United States has made it a major objective to bring about a more stable nuclear environment.

SALT agreement

The Strategic Arms Limitations Talks are among the most crucial negotiations ever conducted. The agreements already signed by the United States and the Soviet Union represent a major step toward strategic stability. They placed a permanent limit on defensive weapons and an interim limit on offensive nuclear weapons. Our task now is to control the qualitative as well as quantitative advance of weapons. We seek a long-term agreement which would establish stable ceilings and other restraints, from which we could begin the long-sought process of arms reductions. Progress in this direction was made during my recent talks in Moscow.

At the same time, a world in which an ever-increasing number of nations possess nuclear weapons vastly magnifies the risks of both regional and global conflict. And proliferation complicates—if it does not inhibit—international cooperation in the peaceful uses of the atom.

global effort

Last month at the United Nations I proposed a comprehensive global effort. The United States is of the view that countries capable of exporting nuclear technology should agree to common restraints on a multilateral basis which would further the peaceful, but inhibit the military uses of nuclear power. We take seriously India's affirmation that it has no intention to develop nuclear weapons. But India of course has the capability to export nuclear technology; it therefore has an important role in this multilateral endeavour. Needless to say, the United States does not ask other countries for restraint on the export of nuclear materials and technology which it is not prepared to apply to itself. We will work vigorously with others on the practical steps which should be taken to limit the dangers of the atom while furthering its potential for human good.

A third objective of American policy is to build global cooperation to meet unprecedented global problems.

The traditional agenda of international affairs—the balance among major powers, the security of nations—no longer defines our perils or our possibilities. To some extent we have mastered many of the familiar challenges of diplomacy. Yet suddenly we are witnessing a new threat to the governability of national societies and to the structure of international stability. A crisis threatens the world's economic system. The industrialized nations see decades of prosperity in jeopardy; the developing countries see hopes for development and progress shattered or postponed indefinitely. And even the newly wealthy oil producers are beginning to perceive that their recent gains will be swept away in a global crisis.

The dangers are as self-evident for the United States as they are for India and other countries; rates of inflation unknown in the past quarter century; financial institutions staggering under the most massive and rapid movements of reserves in history; and profoundly disturbing questions about the ability to meet man's most fundamental needs for energy and food.

This is not a conventional political problem, which can be dealt with by conventional diplomacy or on the basis of conventional promises of social and economic theory. It affects all countries an groups. There is no gain for one at th expense of another. Piecemeal solution offer no hope; a global enterprise is imperative. No nation or bloc of nation can impose its narrow interests withou tearing the fabric of international cooperation. Whatever our ideological belie or social structure, we are part of a singl international system on which our national objectives depend. Our common destiny is now not a slogan; it is an unmistakable reality.

The United States is prepared to dedicate itself in practical ways to this globa effort. At the World Food Conferenc we will offer a comprehensive programme as our contribution to freeing mankind from the eternal struggle fo sustenance. We recognize that America's agricultural productivity, advanced technology, and tradition of assistance represent a major obligation. We know that we cannot speak of the global responsibility of others without practicing global responsibility ourselves. America pioneered in development assistance, particularly with respect to food; we are determined to step up our past contributions. We will increase our production at home so there will be more food available for shipment abroad. And we will help developing nations increase their own production which is the only long-term solution to the problem.

magnitude of problem

The magnitude of the world's food needs—and the redistribution of the world's wealth—imply that others must enlist in the fight against famine. The United Stated will work cooperatively with other exporters, with food importers, and with those countries in a position to help finance increased food production in the developing countries.

But it is an objective fact that we cannot meet man's need for food, much less ensure economic and social advance, without coming to grips with the energy crisis. Higher oil prices directly affect food prices by increasing the costs of fertilizer, of operating agricultural machinery, and of transporting food to deficit areas. This in turn contributes to the more general economic crisis of inflation and stagnation which will surely doom the ability of the economically advanced countries to fulfil their obligations to the less well-endowed. Both consumers and producers have a parallel stake in a global economy that is stable and growing. The economic progress of thirty years has brought the goal of universal well-being closer; today's crisis puts it in jeopardy. This is why the United States has emphasized global interdependence and seeks cooperative global solutions.

The American purposes I have described are, we believe, consistent with India's purposes. We are nations whose values and aspirations are so similar that our disputes are often in the nature of a family quarrel. We have no conflict of interest, no basic animosity or disagreement that keeps us apart, And we face a world in crisis and transition, that compels us to work together.

We are both democracies, with all that implies for the kinds of decisions we are able to make. The leaders of a democracy can only sustain policies which their electorate will support. If there are no general rules as to what such policies are likely to be, there are specific limitations as to what they cannot be. It is clear that our relationship cannot be based—in either country—on the dependence of one on the other. Nor can our relationship survive constant criticism of one by the other in all international forums. There must be a sense of common purpose in at least some endeavours. To Indian-American relations equality and mutual respect are more than doctrines of international law. They are political necessities.

positive content

In the past year or two we have removed major obstacles to an improved relationship. Our energies are now focussed on the positive content of our relationship. Even importantly we find once again that as two great nations we share certain aspirations for the world at large. We share a concern for cooperative solutions to man's fundamental needs.

The present crisis confronting both developed and developing nations reveals all too clearly the world's past failure to address global problems on a truly cooperative basis. India and the United States have much to contribute. The world's best minds must be mobilized and India has the third largest pool of scientific talent while the United States has the first. We must apply the great economic strength of our two nations; the United States has the largest industrial output in the world and India the tenth largest. Our economies are complementary; the fact that India is only the 26th largest trading partner of the United States reveals what potential is yet untapped.

The Joint Commission we are establishing—for scientific, cultural, and economic cooperation—provides a new means to match our resources with our challenges. It is the symbol of the new era of equality. And the United States stands ready to expand the concept of the Joint Commission into other areas. We share a concern for economic development.

It is impossible to visit South Asia without being deeply affected by the plight of so many of the peoples of this region. Individual hopes for survival and national aspirations for development have been dealt a cruel blow by the crises in energy, food and inflation.

The American people want to be helpful, while avoiding the dependence we both reject. Earlier this year, the United States wrote off the largest amount of foreign debt ever cancelled in history. This year the United States will launch a modest bilateral aid programe. A substantial portion of our multilateral aid already comes to India. Our new food programme which I will outline at the World Food Conference will be of particular relevance to India. We share a concern for world peace.

Neither India nor the United States will ever be satisfied with a world of chronic conflicts, uneasy truces and offsetting blocs. We have a joint interest in a comprehensive, institutionalized peace, based not merely on a balance of forces but on a sense of justice.

In recent months our dialogue on the entire range of global concerns has assumed a new frequency and depth. Our consultation has defined areas where we agree and narrowed those where we do not. We have found anew the basis for collaboration in many areas.

Tagore wrote with foresight: "During the evolution of the nation the moral culture of brotherhood was limited by geographic boundaries, because at that time those boundaries were true. Now they have become imaginary lines of tradition divested of the qualities of real obstacles. So the time has come when man's moral nature must deal with this fact with all seriousness or perish."

The time has come for nations to act on this vision. Let there be hope rather than despair, creativity rather than disarray. The recognition and understanding of our problems are clearly emerging. We have the technical means to solve them. And the urgency of our tasks impels us.

Half a century ago, Mahatma Gandhi wrote that we must launch "experiments with truth." In this spirit, let us resolve to strengthen the new beginnings between India and America. Let us build a relationship that can endure and serve common ends for a long time. Let us make our contribution to help mankind match its capacity to its challenges for the benefit of our two peoples and of all of mankind.

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LRC/13/74

Japan's continuing "economic miracle"-II

London

Jossleyn Hennessy

THE RAPID growth of Japanese industry, and the reorientation of industrial output and exports towards capital-intensive and technically advanced sectors, have been key factors in Japan's remarkable economic performance of the past two decades. A few figures illustrate the degree of expansion and the direction that it has taken. Total manufacturing production rose nearly nine times from 1955 to 1972. But the output of such industries as engineering, iron and steel and petrochemicals increased still more rapidly; in particular, the various engineering branches as a group experienced a more than 20-fold production growth and by 1972 represented about 38 per cent of total manufacturing added value as compared with 18.5 per cent in 1955.

Especially marked was the expansion in such equipment as machine tools, electric motors and generators, and ships, as well as consumer durables including cars, television sets, tape recorders and refrigerators. On the other hand, output of traditional industries such as textiles, leather goods, toys, developed far more slowly; textile production, for example, increased only 3.6 times.

high productivity

This shift in Japan's industrial structure, and the modernisation and rationalisation carried out in various sectors, have led to considerable productivity increases in industry. Between 1960 and 1972, labour productivity in manufacturing industry as a whole more than tripled.

The creation of a modern industrial structure after the war was indispensible if living standards were to be raised. But problems have arisen as a result of the speed and intensity of industrialisation and of certain geographical and other factors in Japan's situation.

First, industrial growth has necessarily been subject to precariousness because of the heavy dependence upon imports of raw materials and energy products, with which Japan is poorly endowed. Furthermore, Japan's strong export orientation accumulated foreign exchange reserves leading the authorities in recent years to take measures to redress the balance of payments disequilibrium. The effectiveness of these measures, accentuated by the floating of the yen in 1973, in reversing the balance of payments trend and the many ramifications of the energy crisis, all of which are not yet clearly discernible, are, however, again changing the conditions which dictate Japanese policy.

At the same time, the pace of industrialisation and its concentration in a few densely built-up areas have created pressing problems of urban blight, environmental pollution and disparities in regional income, while a lag in resources devoted to social infrastructure has produced pressures for the improvement of housing, health and other social aims.

two-fold structure

Finally, a problem directly related to the structure of industry is the two-fold structure of Japan's economy: the great contrast between the larger more dynamic industries and the many small, often very small, firms lacking managerial and technological know-how and having difficulty in obtaining adequate financing on terms that they can afford. In general, there is a wide gap in productivity and profits between these firms and the larger enterprises, and growing concern for their survival amidst increasing international competition.

Both in promoting the development of industry and in their recent intensified efforts to cope with the problems of rapid industrial expansion, the Japanese authorities have built up a code of industrial policy measures. In Japan, industrial policies fulfil a more clearly defined function than in many other OECD countries. Moreover, because of distinctive features in the historical background, institutional structures, traditional attitudes and practices, industrial policy in Japan has special characteristics. Before discussing some of the main directions which Japanese industrial policy has taken, let us, therefore, look briefly at the way in which it is carried out.

II

Nature of Japanese Policy

The role played by industrial policy is rooted in development that goes back to the origins of Japanese modernisation a century ago, when the government was not only the main source of capital but also operated numerous enterprises.

Today, however, the direct entrepreneurial role of the state is negligible. Moreover, the government has relatively little impact on industry as a buyer of goods and services, because the level of state procurement is lower than in other industrial countries. Nevertheless the tradition of cooperation between government and business persists, and although it now takes the form of guidance and consultation it still contributes to the effectiveness of Japanese industrial policy.

That policy has a flexible mechanism to define objectives and the means of obtaining them; to revise them to meet new conditions; and to implement policies, both through guidance and persuasion, and through financial incentives sometimes within the framework of legislative programmes to develop or adapt a particular sector.

principal agency

The principal government agency for industrial policy planning and implementation is the ministry for International Trade and Industry (MITI). This ministry is effective because of:

In addition to its competence with regard to international trade and industry (except for a few sectors: transport equipment, pharmaceuticals and foodstuffs), MITI has, together with other ministries, responsibility for both cooperation with developing countries and environmental protection. This scope of competence, wider than in the equivalent ministries of many other countries, facilitates a coordinated approach to related problems.

More readily than in many other countries, new policy orientations have been accompanied by changes in ministerial organisation. Most recently, under a reorganisation in July, 1973, a more integrated view of industrial policy problems was reflected in a changeover from a mainly sectorally-structured organisation to a more "horizontal" approach; a unified new agency was set up to bring within one administrative unit consideration of natural resources and energy problems; and, in order to link the problem of industrial siting with that of environmental protection, an Industrial Siting and Pollution Control Bureau was established. Sections dealing with counter-inflationary policy and consumer protection were also reinforced.

These objectives are set both nationally and in view of the adaptation of specific sectors or intersectoral problems. Again, as in the case of the structural reorganisation of the ministry, objectives and policy are reviewed as conditions change. At present MITI is attempting to work out a long-range view of Japan's overall industrial structure, an ambitious aim when one considers the difficulties in foreseeing the complex pattern of the relevant domestic and international conditions.

exchange of ideas

MITI officials keep in daily touch with industry, which maintains a variety of discussion groups as continuous forums for the systematic exchange of ideas. In particular, new policies are worked out by government officials in consultation with advisory councils for various policy areas; these are attached to MITI and consist of representatives of business, banking, the trade unions, economists and others. On the basis of the recommendations of the relevant advisory council, a set of aims laying down, for example, the desirable scale of investment and production in a particular sector is defined; in recent years, these aims have frequently also included criteria for prices, environmental protection, consumer interests and other aspects of industrial behaviour.

The cooperation of industry on implementing the policies is facilitated by tax or other financial incentives—such as grants, loans or interest subsidies — although regulatory measures to ensure compliance also exist. More generally, MITI is able to guide industry in accordance with national policy objectives because of the goodwill that it enjoys with the business community and because of the century-old tradition of active government interest in industry.

III

Financing of Industrial Development

Japan's postwar industrial growth was funded largely by bank credits, especially in the earlier stages. As firms had to invest rapidly amidst exceptionally fast growth, they could not finance their own investments to any great extent from internally generated capital, and the securities markets were inadequately developed. The government therefore acted—e.g. by various tax concessions—to help companies to improve their finance through greater recourse to equity capital and to self-financing. The ability of the banks to finance such explosive growth was due to several factors which begin at the "grass roots": the household savings rate, the highest of that in any OECD country. And, as noted here last week, the propensity to save has been significantly increased by a specifically Japanese practice: the regular monthly wages are usually supplemented by half yearly bonuses, linked to profits, each of which may be several times the value of a month's pay, and which most workers save rather than spend, paying them into bank deposits or postal savings.

The private banks, in conditions of rapid economic expansion, sought neither to boost traditional industries nor to support obsolescent "lame duck" industries, but looked for growth industries to which to lend, generally heeding the views of MITI in identifying growth sectors. Intent on improving their share of the business, they over-extended themselves, creating the so-called "overloan" phenomenon, rendered possible by credits from the Bank of Japan to replenish their funds and which lasted in to the late 1960s. In order to ensure a smooth flow of long-term capital for plant and equipment and also to remedy the "overloan" phenomenon, a clear separation was made between short and long-term capital; special facilities were created for converting short-term in to long-term funds. This was done by means of three private banks specialising in long-term capital supply; these banks float financial bonds bought mainly by commercial or city banks, so that many accounts of short-term money are converted into long-term money. The supply of long-term capital, particularly to basic and heavy industries, is also facilitated by a "loan-trust" system under which funds entrusted by the public to trust banks are pooled for lending to industry.

Reliance on bank loans has diminished in recent years, as firms have been able to finance an increased share of their investments through the strengthened securities markets and from retained profits.

Parallel to financing by private banks, the government has played a role in guiding industrial activity through financing provided by a number of state institutions, such as the Japan Development Bank and special bodies to provide funds for, eg, regional development and small businesses. These government

Japan's Import Liberalisation

Year	Ratio of liberalised imports (1) (% at year end)	No. of items liberalised	No. of items under residual quantitative import restrictions (at year end)		
			Total	Non-agricultural products	Agricultural products
1960	42	—	—	—	—
1961	70	—	492 (2)	—	—
1962	88	268	224	—	—
1963	92	69	155	—	—
1964	93	32	123	—	—
1965	93	1	122	—	—
1966	93	— (3)	124 (3)	—	—
1967	93	0	124	—	—
1968	93	3	121	53	68
1969	93	3	118	50	68
1970	94	28	90	35	55
1971	95	50	40	12	28
1972	97	7	33	9	24
1973	97	2	31	8 (4)	23 (5)

(1) Calculated by using as weights the value of Japanese private imports in 1959.

(2) Number of items as of April 1962 when Japan's system of import restrictions was changed from a positive to a negative list.

(3) The number of items changed as a result of the revision of the Customs Tariff in May 1966.

(4) Including integrated circuits and electronic computers (counted as four items) scheduled to be liberalised sometime during 1974 and 1975, respectively.

(5) Including one item (malt) scheduled to be liberalised in October 1974.

Source: Ministry of International Trade and Industry, White Paper on Foreign Trade of Japan.

ancial institutions also derive a large rt of their resources from savings—eg stal savings accounts.

The types of industrial activity in ich the government owned banks have gaged have changed in line with the olving priorities of Japanese industrial licy. In the postwar reconstruction riod attention focussed on electric wer, iron and steel, coal, and other sic industries, while from the mid- ties emphasis shifted to such manufac- ring industries as machinery, electro- cs and chemical products.

More recently, financing by state nks has aimed at improvements in the dustrial infrastructure and in the dis- ibution network; pollution abatement; e development and commercialisation new technologies and the promotion new industries, such as data processing d other "knowledge intensive" fields; e development of stable sources of ergy; and the adaptation of the smaller ms to the rapid changes in industrial ructures and international trade invest- ent patterns.

IV

The Main Thrust

In fostering postwar industrial develop- ent, Japanese policy, particularly up to e late 1960s, aimed primarily at:

Providing the country with the mate- als and equipment necessary for main- aining the maximum feasible economic ndependence, hence the promotion of aisc industry (steel, non-ferrous metals), achinery and chemicals; exporting the aximum added value, hence the develop- ent of technologically advanced ndustries, such as optical and precision nstruments, electronics, petrochemicals, nd automobiles, this development relying eavily on technological imports; ationalising and modernising tradi- ional sectors, e.g. textiles, and promoting he adaptation of the large number of mall firms which are vulnerable to com- etitive impact of trade liberalisation.

A network of private financial insti- utions caters to the needs of small busi- ess; this has been supplemented by overnment measures to help these com- anies modernise their equipment or to et up cooperative ventures.

The weakness of small firms is ag- ravated because many work as sub- ontractors for one big company, and the overnment has sought to improve their ituation vis-a-vis the large firms, for xample, by issuing regulations prohibit- ng the deferment of payments or the demand for unusually high discounts by the client enterprises.

Parallel with the efforts to promote advanced industries and help the traditional sectors to adjust, controls on imports and on foreign investment in Japan cushioned the impingement of foreign industry on the Japanese market.

progressive integration

As the economy gained strength, permitting progressive integration into the international system of economic cooperation these controls have been successively reduced, although a "hard-core" still remains, particularly controls on direct foreign investment in Japan.

In the early 1970s the need for vigorous action to redress balance of payments surpluses (although, as already noted, the recent reversel of the situation has once again altered the premises of Japanese policy-making) was an added spur to liberalise imports and to damp down exports. The desire to stimulate capital outflows led to greater efforts to promote Japanese investment abroad already regarded as an important avenue to develop the natural resources that Japan lacks and to alleviate domestic manpower shortages.

The progressive opening up, from the late 1960s, of the Japanese economy to the outside world drew attention to certain weaknesses, particularly in the traditional sectors. At the same time, the constraints on continued rapid economic growth, the aggravation of regional disparities resulting from that growth, and the lag in social infrastructure were also perceived more clearly.

These factors have led to the recent shifts in emphasis among industrial policy aims and the present efforts to rethink these policies from a long-term viewpoint. Increasing emphasis is being given to promoting modernisation and greater efficiency both in the older, traditional industrial sectors and also in the network where fragmentation and outdated method have contributed to inflationary pressures. As to industry in general, efforts are being made to stimulate more domestic research and development, both in order to reduce Japanese dependence on foreign technologies and to develop complex new technologies of national economic or social importance. Much remains to be done to improve Japanese scientific capacity, particularly in basic research, which has suffered neglect partly as the result of efforts to adapt imported technologies.

Parallel to the general promotion of intensified domestic R and D, the authorities are fostering data processing and other "knowledge-intensive" industries. This is a shift away from types of industry heavily dependent on raw materials and natural resources. At the same time, the application of the new information technologies to the satisfaction of health, housing and other social demands is being fostered.

The oil crisis has brought out the vulnerability of Japan, even greater than that of most other industrialised countries, to raw material, energy supply and price factors. Under the new coordinated administrative framework set up by MITI, numerous activities are being undertaken in the hope of providing stable, long-term resource supplies. For example: the promotion of oil prospecting and development overseas and on Japan's continental shelf through the Government Petroleum Development Corporation; sea water desalting and encouragement of industrial effluent-recycling to increase limited water supplies; and the prospection for mineral resources overseas and domestically.

regional development

Regional development programmes are being revised because policies carried out so far have failed to prevent overcrowding in the built-up areas and the exodus from other regions, while new problems—e.g. the opposition of local residents to the installation of new industry because of the fear of pollution—have emerged. The extent of regional imbalance can be seen from the fact that the central region —including Tokyo, Nagoya, Osaka and the Seto Inland Sea district—accounts for only 31 per cent of the area of Japan but 66 per cent of the population and 48 per cent of industry. New legislation seeks to coordinate the previously separate measures for promoting the relocation of plants away from overcrowded areas and for encouraging industrial development in under-developed regions; at the same time, nature conservation and other plans for preserving the amenities of life are being strengthened.

It is not possible to foresee the degree to which these revised industrial policies will be able to alleviate difficult problems, the solution of which will depend in part, on factors outside Japan's control, but at least the new orientation of policy starts from awareness of the constraints on Japan's industrial growth and seeks to reduce the effect of those constraints and to bring about a shift in the present structure of industry so as to meet new needs.

Note : *This is the second of two articles on Japan. The first appeared last week.*

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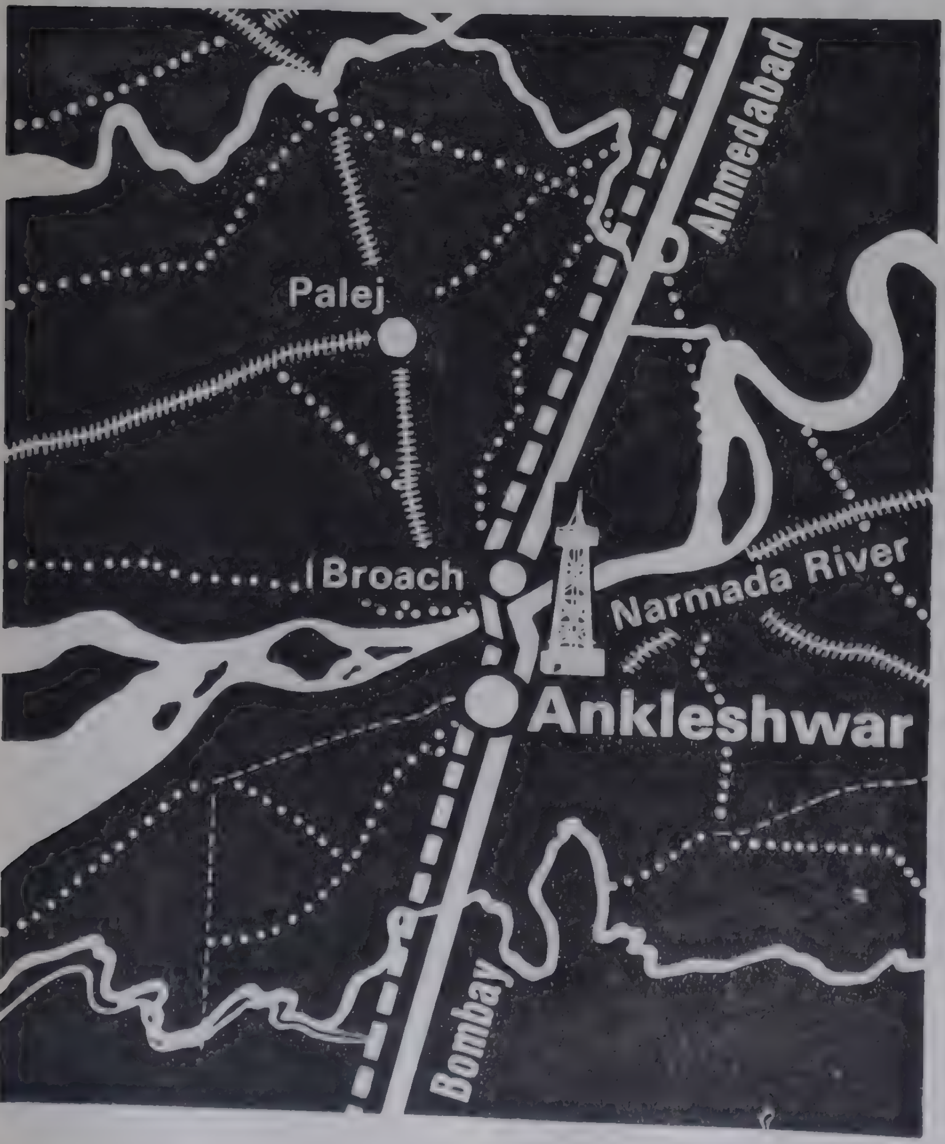

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TRADE WINDS

Credit Policy for Busy Season

THE TRENDS in banking in recent months have been broadly in line with the objective of slowing down monetary expansion, but the Reserve Bank still feels that there is no scope at this stage for relaxation in monetary restraint, as there is no marked evidence of an abatement in inflation. In consonance with fiscal and other economic policies, monetary policy has to keep as its primary objective the combating of inflationary pressures. The situation thus calls for a continuation of the restraints on credit creation, while at the same time providing selectively for the deployment of credit for sustaining investment, augmenting production and facilitating distribution of essential commodities. This was indicated by the governor of the Reserve Bank, Mr S. Jagannathan, at a meeting he had in Bombay today with the chief executives of major scheduled commercial banks.

The governor emphasised that, in the present economic setting, banks have to operate within the context of the primary objective of containing inflation but nevertheless assisting production and investment. He outlined the considerations which banks should keep in mind while planning the deployment of their funds. These are as follows : (*i*) Primary consideration has to be given to increased agricultural production and the building up of an adequate public distribution system for foodgrains. (*ii*) Agricultural credit requirements, including those for the production and distribution of agricultural inputs, should continue to be given maximum possible attention. (*iii*) It is necessary to introduce in certain designated priority sectors (such as small-scale industries and other small borrowers) a greater degree of selectivity in the deployment of further credit. Small-scale industrial units producing inputs for 'core' sector and wage goods industries should be preferred to the small-sized units in less essential lines. It should be possible to apply such scrutiny and selectivity in the case of units which are technically "small-scale units" but absorb sizeable amounts of credit. The policy of giving priority to small industry *as such* may be refined in its application so as to accord such treatment more particularly to units having credit limits of Rs 10 lakhs and below. (*iv*) The special requirements of export credit should continue to be accorded high priority, with emphasis on the need to bring about a faster turn-round of funds. (*v*) In the public sector, the working capital requirements of manufacturing units for expanding production should receive prior consideration. (*vi*) In the private industrial sector, preference should be accorded to units in the 'core' sector (mainly those producing fertilisers, pesticides and other needs of agriculture, transport and electrical equipments, and basic metals and minerals) and those engaged in the production of goods needed for mass consumption (such as controlled varieties of cloth, edible oils and sugar). In all these categories, special consideration needs to be given to the working capital requirements of new units in which fixed investments have already been made. (*vii*) The selective credit controls on sensitive commodities (such as foodgrains, cotton, oilseeds and oil, sugar and textiles), introduced to discourage speculative hoarding, will continue. As hitherto, banks will be required to keep down the financing of *Multani* hundis and such other financial transactions.

Within each sector or category indicated, the decision regarding the extent of accommodation to be given to different individual borrowers will vest with the banks concerned which will be required to study the financial position of individual units and their minimum needs that are directly related to the needs of essential production. The Reserve Bank proposes to have individual discussions with each of the major banks in the ensuing weeks to review their operations with reference to objectives of policy.

Consistent with the objective of limiting the pace of monetary expansion, no relaxation in credit policy is possible. But the following indication has been given of the funds which the Reserve Bank will make available to banks for meeting essential needs during the ensuing busy season, in accordance with the criteria and priorities indicated : (*a*) *Liquidity Ratio* : The statutory liquidity ratio will continue at 33 per cent. The minimum statatory balances which the scheduled commercial banks are required to keep with the Reserve Bank will be reduced from five to four per cent of the total demand and time liabilities; the reduction will be in two instalments, that is, 0.5 per cent with effect from December 14, 1974 and a further 0.5 per cent with effect from December 28, 1974. (As a result of this reduction, about Rs 120 crores are expected to become available to banks by the end of this year). The minimum net liquidity ratio relevant for lending by the Reserve Bank at Bank Rate will stand reduced from 40 per cent to 39 per cent with effect from December 28, 1974, the maximum rate chargeable for refinance remaining unchanged at 18 per cent. (*b*) *Refinance* : A bank's ordinary recourse to the Reserve Bank for refinance will be limited to an amount equal to one per cent of its demand and time liabilities as on September 27, 1974; this will amount to Rs 120 crores approximately. The quota will be available to banks throughout the busy season, in addition to a moderate amount of refinance allowed in respect of public food procurement advances. Any further access to refinance will be strictly at the discretion of the Reserve Bank. (*c*) *Rediscount* : The flow of Reserve Bank funds through the new bill market scheme will be encouraged in preference to assistance through refinance. Here also, a basic bill rediscount quota will be available to each bank, which will be equivalent to 10 per cent of its total inland bills purchased and discounted as on September 27, 1974. This accommodation, which would amount to about Rs 100 crores for the banking system, will be available at the Bank Rate and will not be counted in determining the net liquidity ratio of a bank.

Any additional limits will be made available only at the discretion of the Reserve Bank. Rediscount allowed on discretionary basis (that is, in excess of the basic quota of 10 per cent of the total inland bills purchased and discounted) will be at specific rediscount rates ranging from 10 per cent to 15 per cent. Such discretionary rediscount facility will also not be taken into account in determining the net liquidity ratio of a bank.

Exemptions from Compulsory Deposits

In a notification issued on October 30, 1974 by the government of India under Section 17 of the Additional Emoluments (Compulsory Deposit) Act, 1974, employees, whose employment is of a casual nature or is not likely to continue for more than 180 days in a year including intervening holidays and periods of leave as well as employees who are due to retire or superannuate from service on or before December 31, 1974, have been exempted from the operation of all the provisions of the Act.

The other exemptions announced include : (*i*) bonus payments to employees of any company/establishment made after the July 6, 1974 to the extent of the statutory minimum rate viz. 8.33 per cent will not be treated as 'additional wages' to be compulsorily deposited under the Act. This exemption covers bonus payments under the Payment of Bonus Act, 1965 as well as exgratia bonus payments by new companies/establishments during the period of bonus holiday under Clause (b) of Section 16(1) of the Payment of Bonus Act; (*ii*) increments in non-time scale posts held by employees drawing emoluments upto Rs 1250 per mansem will not be treated as 'additional wages' under the Act if such increments are within the undermentioned limits : (*a*) where an employee has not been sanctioned any increment in the preceding 12 months : Upto five per cent of the emoluments drawn by the employee prior to the sanction of such increment. (*b*) where an employee has not been sanctioned any increment in the preceding 24 months : Upto eight per cent of the emoluments drawn by the employee prior to the sanction of such increment.

Price Control on Tractors Removed

Statutory control on prices of agricultural tractors has been discontinued. This has been substituted by a system of surveillance of price behaviour through pricing norms based on optimal utilisation of capacity and fair return. Over the last few years, manufacture of tractors in this country has risen significantly. The gap between demand and availability in terms of aggregate numbers has almost been bridged. A sizeable number of projects for the manufacture of tractors are either in different stages of implementation to full rated capacity or in the process of installation. The union ministry of Industry, therefore, foresees that there will be no shortage in availability of tractors in the near future.

A press note issued by the ministry of Industry states that in the context of unstable prices of materials and components, a system of price control operated through fixation of rigid prices at a point of time is unlikely to retain its contextual validity for a sufficient length of time. Frequent revision of prices tends to introduce further element of uncertainty. It is also of paramount importance that this industry, which is critical to the national economy, must be provided with the correct environment to grow and fulfil the national purpose of mechanisation of agriculture as a means of optimising agricultural production.

The press note adds that the pricing norms which are being fixed take into full account the need to maintain the production at the optimal level while ensuring an equitable return to the producers in order to enable them not only to maintain the level of production but also a steady rate of growth that is essential for survival of an industry of this type in today's changing economic environment. The mechanics of surveillance of price behaviour in this critical industry has been so organised that the manufacturers will not be able to take any advantage of any excess price fixed in disregard of the pricing norms calculated to ensure maximum production with fair return.

Indo-Hungarian Cooperation

India recently signed an agreement with Hungary laying a solid foundation for further development and diversification of economic relations in the fields of industry, commerce, agriculture, telecommunications, electronics and pharmaceuticals. The agreement was signed at the first meeting of the Indo-Hungarian Joint Commission by Mr T. A. Pai, Industry and Civil Supplies minister, on behalf of India, and the visiting Hungarian minister for Machine Building and Metallurgy, Dr G. Horgos, providing for a working programme of cooperation mutually beneficial to the two countries. Of particular interest to India was the agreement for the export of "expertise" in the setting up of large-sized coke oven batteries on a turnkey basis, incorporating the latest technology, for which India has the capability. In addition, India has also a large capacity for the manufacture of equipment for steel plants and an excess capacity for the manufacture of seamless tubes to meet the requirements of Hungary. In the reverse direction is the development of solar energy which Hungary has been able to develop in view of its "geographical position". The agreement provides, among other things, the utilisation of solar energy and geothermal energy in which India is vitally interested in view of the oil price hike.

The Joint Commission, during its four-day session in New Delhi, arrived at working programme for cooperation in the fields of telecommunication and electronics, industry, science and technology, agriculture, chemicals and pharmaceuticals and trade exchanges. In the field of telecommunication Hungary has agreed that orders placed by India, worth over Rs 10 crores, for microwave equipments, will be executed expeditiously. Hungary has also agreed to consider requests for the supply of special alloys, used in telecommunication equipment, and pure aluminium foils. In the reverse direction. Hungary has expressed interest in obtaining from India a number of electronic equipment and telecommunication cables. In the field of agriculture, the major cooperation is in setting up in India modern slaughter-houses and carcase utilisation centres, commercial trout fishing, rearing of ducklings, protein rich maize production and in return, the supply cereal, vegetable and fruit see to Hungary.

Trade with South Kore

India and South Korea ha agreed that both countri should increase their tra by identifying the areas cooperation and collaboratio A 12-member South Korea economic mission visited th country recently and had mee ings with the union ministe of Commerce and Industr The main purpose of the mi sion's visit to India was t find out the possible areas cooperation and how best th trade could be increased. Th minister for Industry mentione in particular, the export machinery for textile industr sugar, chemicals and cemen and sophisticated machin tools from India. The Sout Korean leader affirmed that hi country was also keen t develop mutual trade ties.

The volume of trade betwee India and South Korea ha increased from Rs 38 lakhs i 1965-66 to Rs 6.28 crores i 1973-74. The main items o exports from India to Sout Korea were railway wagons rails, iron and steel, huma hair and common salt. In the reverse direction, raw silk fertilisers, concentrates o tungsten and zinc are importe from South Korea. This country entered into a trade agreement with South Kore in April 1964, which continues to be in force from yea to year.

The representatives of the Federation of Indian Chambers of Commerce and Industry and the visiting South Korean economic mission led by Mr Bang Yong Song, a member of the Presidential Council of Economic and Scientific Advisers met under the chairmanship of the FICCI President, Mr K. K. Birla. Potential existing in the two countries which offered scope for further increase in two-way trade as also economic cooperation in several other fields was discussed. It was felt that complementarities in the economies of the two countries needed to be explored. Mention was also made that India could competitively supply a wide range of products including automotive components and parts, agricultural equipment, bicycles, textile machinery, construction materials, air conditioning equipment, wagons and cement and sugar plants etc. It was suggested that India could import besides tungsten ore some other non-ferrous metals and larger quantities of urea, if available, and also ships for which S. Korea had recently built large capacity. The scope for setting up joint ventures and turnkey projects in S. Korea was also highlighted in the context of the liberal policy followed in inviting foreign capital and technical skills in South Korea. The mission expressed keenness to extend requisite facilities for Indians setting up enterprises in South Korea.

FIEO Mission to USA

A five-member trade team sponsored by the Federation of Indian Export Organisations left recently on a 25-day tour of the USA and Canada. The team will explore the possibilities of increasing exports from India to these countries of steel pipes and fittings, garments, injection and compression moulded plastic goods and canvas and PVC footwear. The team will visit New York, Los Angeles, Chicago, Toronto and Montreal.

New Tyre Project

Exim Bank of USA has agreed to finance the import of American plant and machinery worth Rs 4.7 crores for J.K. Industries. The government of India is allowing direct lines of French and Dutch credit for the import of Rs 1.61 crores worth of machinery from France and Holland. The rupee financing has been finalised with Indian banks and financial institutions. The plant is being set up in technical collaboration with General Tire International Co of USA. The company proposes to make radial tyres built with steel tyre cord, which gives twice the mileage given by conventional tyres.

Cotton Corporation

The Cotton Corporation of India, a government of India undertaking, has had a record turnover of Rs 116.5 crores, and also a record net profit of Rs 5.04 crores before taxation, for the year 1972-73. It has paid a dividend of 12 per cent on its paid-up share capital, and also maintained a bonus of 20 per cent to its employees. The corporation's purchases during 1972-73 exceeded Rs 90 crores. More than half of this was accounted for by indigenous purchases of cotton valued at nearly Rs 47 crores. Imported cotton accounted for over Rs 40 crores. Man-made fibre imports accounted for about Rs 15 crores. Yarn purchases were of the value of Rs 1.8 crores.

On the import front, the share of the corporation in the total imports increased from about 26 per cent in 1970-71 which was the first year of its operation, to about 82 per cent in 1972-73. The import duty on cotton was revised to 40 per cent ad valorem in the budget of 1973-74.

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COMPANY AFFAIRS

On the Retreat

CONTRARY TO expectations equities turned easy and registered widespread losses under persistent pressure during last week. The initial steadiness was caused by prospects of improved Indo-US relations and hopes of sizable inflow of US private capital into the country following Dr Kissinger's visit to this country. However it proved short-lived and sluggish conditions began to prevail in the market. With institutional buying extremely restricted and public support lacking, bulls preferred to lighten their commitments. With investors' confidence at a low ebb even small selling was enough to depress prices. To some extent the turn in sentiment was also due to dissatisfaction of marketmen with the Reserve Bank's credit policy for the busy season. Reports of the government's rejection of the plea of All-India Shareholders' Association to modify the Companies (Ceiling on Dividend) Act also further dampened the market sentiment.

The buoyancy witnessed in Bombay stock market in the past two weeks petered out and became dull towards the end of last month. Dalal Street commenced trading on a steady note last week thanks to the encouraging talks between Dr Kissinger and the Indian leaders which seemed to pave the way for a wide ranging cooperation between our country and the United States with the establishment of a joint Indo-US Commission. No doubt prices tended to improve but it proved abortive as evident from the pattern of trading in subsequent series. Towards the close of the week trading became featureless in the absence of fresh incentives with price fluctuations confined to a narrow range. The volume of business too was thin. Dull conditions prevailed in Lyons Range during last week. Barring a few scrips which displayed a steady trend, elsewhere prices showed a sagging tendency. Hence any offer, however small, tended to reduce prices out of proportion. The volume of business in Madras stock market during the week was also restricted and moderate with operators showing interest in select scrips.

Electric Construction & Equipment

Mr Gyul Horgos, the Hungarian minister for Industry paid a visit to the various manufacturing units of the Electric Construction and Equipment Company Ltd (ECE) at Sonepat last week. This unit, which has been set up in technical collaboration with United Incandescent Lamp and Electrical Company of Budapest, (popularly known as Tungsram), has the proud privilege and unique distinction of being the only unit of its kind in the world to which the Hungarian government has parted with its technical know-how. The unit has already gone into production and it is rolling out electric bulbs and fluorescent tubes on a mass scale since April last.

Although the plant has an installed capacity for producing six million general service lamps and one million fluorescent tubes, the unit has so far been operated only at half of its rated capacity due to causes beyond the control of the management, the principal factors being the frequent interruptions as well as the severe restraints in the supply of power. Despite these great difficulties and handicaps the company was able to produce and sell goods to the tune of Rs 50 lakhs. It is indeed commendable that the company has been able to make considerable progress even under such trying circumstances and this has naturally left pleasant and deep impressions in the minds of such high dignitaries as Mr Turi, Hungarian Ambassador in India, Mr B. Dienes, Chairman of of Tungsram, and other special invitees who were at the site last week. All in all, the company is well set to make fine progress and especially under the able stewardship of Mr A. V. Birla an explosive growth is assured for the company.

Bharat Commerce

The directors of Bharat Commerce and Industries have proposed to issue bonus shares in the ratio of two shares for every three shares held by capitalising a sum of rupees one crore from its reserves. The issue is, however, subject to the consent of the Controller of Capital Issues.

PICUP

Although the year ended March 31, 1974, was the second year of the working of Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Ltd (PICUP), it was the first full year of its operations. The PICUP obviously is in its infancy. But it has already been highly successful within this very brief span of time to build up a sound and solid base. Not content with its past proud achievements and creditable performance, it is planning to launch on an ambitious scheme of expansion during the current year. To meet its expanding commitments the corporation is attempting to tap the money market for additional resources. Its effort to raise resources through market borrowing during the year under review did not succeed. But permission to raise one crore of rupees outside the state Plan was accorded by the Reserve Bank of India this year and the corporation undertook market borrowing and raised Rs 1.10 crores in July, 1974 by issue of bonds. The corporation's paid-up capital was also enhanced by the state government by Rs 0.90 crore to Rs 2.15 crores. The corporation will make further efforts for market borrowings as and when the situation demands.

A new development during the year under review was the establishment of a wholly-owned subsidiary for the development of electronics, called the UP Electronics Corporation Limited. This corporation will work in close coordination with PICUP and will be the focal point for all entrepreneurs intending to establish electronics industry, to obtain all technical, financial and even managerial development assistance.

The term loan sanctioned by PICUP during 1973-74 was of the order of Rs 336.20 lakhs as against the target of Rs 250 lakhs. However, three cases involving loans amounting to Rs 47.70 lakhs were withdrawn because of various difficulties including that of power shortage, leaving net sanctions to the tune of Rs 288.50 lakhs. The loans disbursed during the year however totalled Rs 41 lakhs only. After the close of the year however a further sum of Rs 68 lakhs had been disbursed. When all the projects sanctioned during the year 1973-74 come up, they will involve a total investment of Rs 17.19 crores and generate employment for over 2500 persons. But at present the progress of disbursement is lower than originally anticipated. The most important single factor on account of which disbursement of funds has not been quicker and the corporation has not achieved better results is the problem of power shortage. The corporation is attempting to minimise the effects of power shortage by concentrating on non-power intensive projects and projects whose gestation periods are more than 1½ to 2 years during which with the commissioning of new generation units the power situation can hopefully be expected to improve. In addition the corporation is encouraging new industries to set up diesel power units of their own with the generous subsidy offered by the state government in the capital cost and the interest on loans taken for the purpose.

Sakthi Pipes

As there is a great demand for pipes of larger diameter of over 300 mm, Sakthi Pipes Ltd is taking steps for producing of such types of pipes by importing the necessary machinery and equipment from abroad. It is worth mentioning here that the spun pipe industry the world over is now switching over to the production of ductile iron pipes in view of its decided advantages. In tune with this market trends, Sakthi Pipes is also making arrangements for importing this technology and the necessary balancing equipment and hopes to implement the same next year once the clearance is obtained from the authorities concerned. At the same time vigorous steps are being taken for establishing the foundry for making specials for cast iron pipes but this foundry unit has been so designed and conceived that it can be utilised for manufacture of graded iron castings for which also there is a lucrative market. On the marketing side it is gratifying to note that the company has made sizeable sales to states other than Tamil Nadu, namely, Kerala, Karnataka, and Maharashtra. Judging from the current performance it can be confidently stated that before long the company will be supplying pipes all over the country. Its exports sales are also picking up and it has on hand orders worth about £ 75,000 obtained from Singapore. Good response has been received from Canada, USA and western Europe and there are bright prospects of obtaining huge orders from middle-east and African countries especially from Nigeria, Algeria, Kenya and Tanzania. As the pipes are manufactured conforming to British Standard Specifications, International Standards and American Standards besides Indian Standard Specifications, the company is quite capable of undertaking exports' throughout the globe. In view of the expansion programme to take up manufacture of pipes suitable for tyton joining C.I. fittings, ductile iron pipes and castings which have ready markets the company is looking forward to a significant improvement in exports in the coming years.

Like other units the company's performance during 1973-74 has been affected by erratic power supplies and drastic power cuts. Orders have been placed for the import of diesel generators of sufficient capacity to meet the complete power requirements of the plant on deferred payment basis and the generator is expected to be installed in the course of next three to four months.

As a major portion of the production of the company has to be sold only to government or quasi-government organisations, the company has decided to enter the DGS &D contracts from this year onwards. It is gratifying to note that as a result of representations made by the company DGS &D has now agreed to provide for the escalation of the selling price on the increase in the cost other raw materials also besides pig iron. Meanwhile steps are being taken by the company to strengthen the melting section by putting up modified melting units and additional equipment in the testing and finishing sections so as to increase the tempo of production. This will increase the melting days by about 40 per cent and consequently the quantum of production will also be increased.

Shipping Corpn. of India

The Shipping Corporation of India Limited is about to undertake a new venture of great importance which will be unique in the history of Indian Shipping. Arrangements are in a very advanced stage for establishing a new shipping line in Iran, to be named IRANO-HIND Shipping Company, in collaboration with Arya National Shipping Line of Tehran. This will be the corporation's first joint venture abroad, and the required technical expertise will be provided by the company.

The corporation has reported impressive improvements in its working results during the year 1973-74. Its operating earnings crossed the Rs 1000-million mark for the first time in the company's history, recording a spectacular rise from Rs 838 million in 1972-73 to Rs 1232 million in 1973-74. Despite a crash in the oil market and some decline in the dry cargo sector, the financial results in the current year 1974-75 are expected to register a substantial improvement even over the record performance in 1973-74.

The Shipping Corporation continued its rapid expansion of fleet. As on March 31, 1973 the corporation had 95 vessels of 1.869 million DWT. During 1973-74, 14 more vessels of 0.447 million DWT were added to the corporation's fleet. Three vessels were sold for scrapping and one vessel was sold to the Bangladesh Shipping Corporation. Contracts were signed for five new ships aggregating 1.03 million DWT besides concluding contract for the acquisition of a second-hand cargo vessel which will be delivered in 1974-75. The corporation's fleet today consists of 111 ships of 2·757 million DWT and tonnage comprising 29 ships of 2.111 million DWT is on order which includes 2 OBO carriers of 0.25 million DWT ordered during the current year. It is expected that most of these vessels on order are likely to be delivered during the next two to three years.

To meet the changing requirements and the shifts in pattern of trade as well as to participate in a larger measure in the country's sea borne trade the corporation is opening up new liner routes and increasing the area of coverage provided by the existing services. The corporation has introduced a new service between India and Mediterranean ports in Libya, Tunisia and Turkey. Besides a regular service has been offered for Fiji on the basis of transhipment at Sydney. The absence of a direct service between Bombay and the Pacific Coast of USA and Canada has been felt for sometime though the export cargoes available cannot justify an exclusive service. A way-out has been found by planning the introduction of container-oriented fast ships to run a new service on this route which will start operating shortly. It has also been decided to provide a regular coverage for Bangkok and Manila from Calcutta and Madras. Arrangements have also been made to extend to Bombay the liner services connecting Calcutta and Madras with US Atlantic coast ports.

The corporation's operations

Indian Aluminium Co., Limited

1, Middleton Street
Calcutta-700 106

The Board of Directors of the Company has decided to make the Final Call of Rs. 5.00 per share on the partly-paid Ordinary Shares issued on 26 March 1974. Out of this Final Call, Rs. 2.50 per share will be credited towards par value and Rs. 2.50 per share towards premium.

The Final Call will be payable by registered holders of the aforesaid partly-paid Ordinary Shares as on 21 November 1974.

Call Notices are expected to be issued about 10 December 1974, giving full instructions and requiring payment of call money to the Company's banks on or before 11 January, 1975.

P.K. PAL
Secretary.

17 October 1974

during the year has resulted in a record net profit of Rs 139 million as against Rs 81 million in 1972-73. Gross profit before depreciation interest and taxes amounted to Rs 341 million, an increase of as much as Rs 137 million over 1972-73. Despite achieving a record net profit of Rs 139.1 million during the year under review, the directors are unable to recommend any dividend for this year. In the past few years the corporation has been paying regularly dividends at the rate of six per cent. This year as a result of the need to create a substantially higher quantum of development rebate reserve to the extent of over Rs 170 million as per statutory requirements there is no surplus available and since under the dividend ordinance no dividend can be declared except out of the current year's profit it has not been possible for the directors to propose any dividend this year.

ACC

The Associated Cement Companies has skipped both equity and preference dividends for the year ended July, 1974. The company paid an equity dividend of eight per cent for 1972-73 and 12 per cent for 1971-72. For the first year in succession production and sales were unsatisfactory. Utilisation of capacity was severely affected by power limitations, inadequate supply of wagons both for inward movement of coal and outward movement of cement. Production at 52.95 lakh tonnes and despatches at 52.85 lakh tonnes remained more or less the same as in 1972-73. The installed capacity too remained unchanged at 67.37 lakh tonnes. Although sales were up by Rs 6.16 crores to Rs 89.52 crores, gross profit was down by Rs 1.49 crores to Rs 4.83 crores. The directors have appropriated a sum of Rs 423.56 lakhs to depreciation reserve as against Rs 417.43 lakhs in 1972-73 while the allocation to development rebate reserve was enhanced from Rs 53.56 lakhs to Rs 79.24 lakhs. After these provisions, there is a net loss of Rs 19.48 lakhs as against a net profit of Rs 160.75 lakhs in the preceding year. After adjustments there is a debit balance of Rs 255.77 lakhs, as compared to Rs 117.90 lakhs in 1972-73, which has been adjusted against the general reserve.

Except for an interim increase of Rs 10 per tonne in the retention price from September 15, 1973, the delay on the part of the government of India in announcing the final retention price payable to producers until after the close of the year i.e. with effect from August 2, 1974, led to avoidable losses. Moreover the union Labour minister's award, fixing the minimum wage at Rs 295.10 per month plus all other allowances then obtaining inclusive of house rent allowance, thus increasing the minimum wage by Rs 64.88 per month per worker with effect from September 15, 1973, which together with dearness allowance linked to the cost of living index, has imposed a heavy burden of over Rs 3 crores on the company for the year ended July 31, 1974. Because of the late announcement of increase in retention price from August 21, 1974, this extra burden remained unrecouped.

Due to the phenomenal increase in the dearness allowance the incremental liability for retiring gratuities has been heavy and this was mainly responsible for the heavy loss. With the increase in the retention price of cement (including selling expenses) of Rs 25.55 per tonne with effect from August 2, 1974 and of Rs 4.95 per tonne from September 15, 1974 raising it to Rs 142.15 per tonne, the company will be in a profit making position during the current year. Barring unforeseen circumstances, the company, during the current year, should be able to show a reasonable profit, after absorbing the carried forward loss of last year.

News and Notes

Willard India which made a public issue of Rs 64 lakhs in December last has made substantial progress in the execution of its project to manufacture batteries. It has already commenced trial production of PVC separators for batteries. The plant for batteries is expected to be commissioned by December, 1974. The construction of the factory buildings is nearing completion and installation of plant and equipment is in progress. Meanwhile there is an over-run in the company's project cost by Rs 50 lakhs to Rs 4.10 crores. The additional project cost is being met largely from institutional borrowings. The increase in cost, according to the directors, is not likely to affect adversely the company's profitability.

New Issues

Shree Gopal Steels will shortly be entering the capital market with a public issue of Rs 26.40 lakhs, all in equity shares of Rs 10 each at par. The company has received a COB industrial licence for setting up a project in Madhya Pradesh for manufacturing annually 18,000 tonnes of steel ingots. The plant will be set up in the backward area of Khargone. As such the company will be eligible to various concessions and incentives. The plant is expected to go into commercial production by April 1975. The capital cost of the project is estimated at Rs 1.20 crores. It will be financed by the share capital of Rs 44 lakhs, loan from Madhya Pradesh Financial Corporation of Rs 30 lakhs, loan from a private sector bank of Rs 31.50 lakhs, and central subsidy of Rs 14.50 lakhs.

Hyderabad Vanaspati will shortly be offering to the public for subscription 3,30,000 equity shares of Rs 10 each and 6,000 cumulative redeemable preference shares of Rs 100 each at par. The company has at present an issued, subscribed and fully paid up capital of Rs 35 lakhs — Rs 30 lakhs in equity shares and Rs 5 lakhs in preference shares. It proposes to raise fresh capital to the tune of Rs 30 lakhs, comprising Rs 25 lakhs in equity shares and Rs 5 lakhs in preference shares. In addition there is an offer of sale from the existing shareholders of 80,000 equity shares of Rs 10 each at par and 1000 cumulative redeemable preference shares of Rs 100 each. The offer of sales is being made to apply with the stock exchange regulations for listing the shares. Incorporated in May, 1970, the company has been manufacturing Vanaspati, bakery refined oil and soap at Hyderabad. It is also setting up a solvent extraction plant and expanding its activities in refinery and soap plants. The capital cost is estimated at Rs 129.38 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Same Dividend			
Bally Jute	March 31, 1974	14.0	14.0
Davangere Cotton	March 31, 1974	12.0	12.0
Kinnison Jute	March 31, 1974	Nil	Nil
Orient General Industries	March 31, 1974	Nil	Nil
Tata Merlin & Gerin	March 31, 1974	Nil	Nil
Reduced Dividend			
Champdany Jute Co	March 31, 1974	Nil	7.5
Dalhousie Jute	March 31, 1974	Nil	5.0
New Commercial Mills	March 31, 1974	8.0	12.0
Star Paper Mills	March 31, 1974	Nil	10.0
Devan Tea and Produce Co	March 31, 1974	7.5	15.0
Nelliampathy Tea & Produce	June 30, 1974	12.0	20.0
Sheveroy Estates	June 30, 1974	2.0	7.5

Bharat Sugar Mills Limited

NOTICE

NOTICE is hereby given hat the Forty-third Annual General Meeting of Bharat Sugar Mills Limited will be held on Wednesday, the 27th November, 1974 at 3.15 p.m. at 9/1, R.N. Mukherjee Road, Calcutta-1 for the following purposes:—

1. To receive and consider he Report of the Directors and o adopt the Audited Accounts of the Company for the year ended 30th June, 1974.

2. To declare dividends.

3. To elect Directors in place of Shri S.C. Roy and Shri O.P. Adukia who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

By Order of the Board
S.N. GUPTA
Secretary

9/1, R.N. Mukherjee Road,
Calcutta-1, the 14th October, 1974.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of members of the Company will remain closed from the 8th November, 1974 to the 21st November, 1974 both days inclusive.

New India Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Fortieth Annual General Meeting of New India Sugar Mills Limited will be held on Thursday, the 21st November, 1974 at 3.30 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1974.

2. To declare dividends.

3. To elect Directors in place of Shri P.D. Himatsingka and Shri T.D. Kanoria who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

By Order of the Board
S.N. GUPTA
Secretary.

9/1, R.N. Mukherjee Road,
Calcutta-1, the 14th October, 1974.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of members of the Company will remain closed from the 8th November, 1974 to the 21st November, 1974 both days inclusive.

INDIAN RED CROSS SOCIETY

ANNUAL FUND RAISING
&
MEMBERSHIP CAMPAIGN

Remember that November is Red Cross month. Throughout this month a concerted nationwide drive is always on for collection of funds and enrolment of members.

The people of our country, to whom the humanitarian activities of the Red Cross are well known will now have an opportunity of associating themselves with the manifold activities of the Red Cross by becoming members and by making liberal contributions.

ENROL AS A MEMBER
DONATE LIBERALLY

Association of Man-made Fibre Industry

SUMMARY of the speech delivered by the President, Dr. C. Rossi at the Twentieth Annual General Meeting of the Association of Man-made Fibre Industry held on Tuesday, the 29th October, 1974.

Welcoming the member of the Planning Commission, Shri M. S. Pathak and other distinguished guests the President, at the outset, dwelt in brief upon the major economic events, national and international. He pointed out, among others, that the important industrialised nations today were confronted with the major problem of striking a precarious balance between holding the price line under heavy inflationray pulls and pressures on the one hand and the need to neutralise the threat posed to future economic growth by the oil embargo and gallopnig prices of oil on the other. According to him, the world was fast heading for negative economic growth and recession was not a passing fear but a hard reality already being faced by Japan and western countries. While focussing attention on the unprecedented rise in prices and agonising shortage of essential raw materials, he was of the view that Government may succeed in the task of restoring normalcy and increasing exports if only a climate of hope and confidence was created by the three-cornered concerted efforts of the Government, the industry and the scientists to achieve preferred and realisable goals with all speed and efficiency.

A. Man-made Fibre Industry in India and the World

DR C. ROSSI

With a sense of justifiable confidence based on past performance the President pointed out that man-mades would continue to occupy a position of enduring significance based as it is on the growing mass appreciation of its inherent virtues of utility, beauty and practicality. As such, with a measure of reasonable incentives meted out to the industry, he was confident that the development of man-mades in India would significantly contribute to the improvement of the country's economy in general and textile economy in particular in a variety of ways. His observations in this regard were as follows:

(i) The World

Within a short span of seven decades, man-mades have made phenomenal progress with their output reaching a dizzy height of 24,650 million pounds at the close of 1973 with a potential capacity of about 29,000 million pounds in all probability to be achieved by the end of 1974. While the percentage share of cotton in the total textile fibre output is perceptibly on the decline over the years, the percentage share of man-mades is gradually on the increase and has already crossed the 40 per cent mark in the year 1973. The Third World Congress of the International Rayon & Synthetic Fibres Committee has made an estimate, and reasonably so, that the world consumption of textile fibres in 1980 should be somewhere around double the figure of 1960 and man-made fibres alone will be catering for more than half of the world's needs. This apart, with the population increasing in menacing proportions and with the demands of science, technollgy and space exploration getting larger and more complex, the textile chemists and technologists are exploring all possibilities to keep abreast of the fast changing world and are capable of meeting these challenges in good measure.

(ii) In India

India's man-made fibre industry which is just twenty-four years young has entered the seventies with a renewed measure of confidence, a confidence which has its roots in the eventful past that has become a part of textile history. At the turn of the sixties the industry was still ten years young, consisting as it did of six rayon units only with an output of about 37 million kgs made up of 20.3 million kgs of Viscose Staple and Rayon Filament claiming the balance. In the course of the last decade the existing units expanded and diversified their range of production and a number of new units sprang up in different parts of the country. In the year 1962, India made its debut in Synthetics too. Between 1961 and 1973 the output has nearly trebled averaging an yearly increase of about 30 per cent — a growth rate having few parallels in the realm of India's industries. The output aggregate in 1973 was in the region of 143 million kgs as against licensed capacity of 205.5 million kgs. Additionally, man-made fibre fabrics are also registering a gradual increase and the present production is stated to be around 1,200 million metres. Even in the realm of exports from a small beginning of 41.67 lakhs in 1953 the man-made textile industry within a span of two decades has reached an export figure of 21 crores per annum with the hope of augmenting its exports to about 35 to 40 crores in the near future.

This apart, the envisaged targets set in the draft fifth five year Plan ard 203 million kgs of production of cellulosic fibres as against 225 million kgs of production capacity. As regards synthetic fibres the envisaged targets are 85 million kgs of production towards the end of the fifth five year Plan as against a capacity of 104 million kgs thereunder. Thus, by the end of the fifth five year Plan the envisaged target for man-made fibres as a whole i 329 million kgs of productio capacity and 288 million kg of etimated production This apart, the productio target for man-made fibr fabrics is estimated at 2,00 million metres as agains 10,000 million metres of cotton cloth (all sectors). I could be concluded that, b and large, the demand pattern for the Fifth Five Yea Plan would be a near 25 per cent increase over th current production of man-mades in the country.

In any dynamic industri setting there cannot be an rigidity about the target aims at a particular time. A such, these targets will hav to be reviewed and reassessed from time to time depending upon the change in env ronmental conditions. But this can only be truly effective if there are periodical discussions between the Government and the Industry on these points of review and reassessment. It would also be prudent to have periodical consultations among the different sectors of the textile industry *inter se* — natural as well as man-mades. It is the collective wisdom of all the sectors taken together that will serve the interest of the industry and at the same time protect the interests of the consumer. The time is opportune when we should think in terms of every fibre playing its part and complementing the rest and as such, a blue-print for the progress of the entire textile industry should be drawn up by a conference of all textile manufacturers where they can discuss and decide about the development programme for the whole industry without impairing the interest of any textile sector. Blends being the order of the day, what is eminently desirable is not a conflict between the fibres but a judicious blend of the fibres wherever necessary and desirable thereby making optimum contribution to enrich the textile economy of the country.

B. Problems of the Industry

(a) Paucity of Raw Materials

What is causing grave anxiety to the industry is the irregular and inadequate supply of its basic raw materials.

(i) Rayon Grade Wood Pulp

The Viscose Filament Yarn and Tyre Yarn manufacturing industry is at present on the threshold of a big crisis because of acute shortage of Rayon Grade Wood Pulp. The position is as serious as shortage of newsprint, if not more. The main source of supply of textile grade wood pulp is Canada and USA. Actually Tyrecord Grade Wood Pulp, is available only from the USA. Even though Scandinavian countries like Norway, Sweden and Finland are manufacturing Textile Grade Wood Pulp, they are unable to offer any quantity of dissolving pulp since their production capacity for pulp is mainly utilised for manufacture of paper grade pulp.

The position with regard to the supply of both Textiles as well as Tyrecord Grade Wood Pulp from USA has further worsened mainly because the US Government has lifted the price-freeze on sale of pulp in the domestic market and imposed curbs on exports of wood pulp. It is also understood that the US Government has directed that the exports of wood pulp during the year 1974 should not exceed the export performance during the year 1973 and since the USA suppliers have entered into long-term contracts with other markets, they are unable to offer pulp to the Indian market and thus the country is very far down in the list of customers for wood pulp so far as the USA manufacturers are concerned.

The industry had foreseen this acute short supply position of both textile as well as tyrecord grade wood pulp as far back as October, 1973 when the Union Commerce Ministry and other concerned authorities were requested to take up the matter of supply of Rayon Grade Wood Pulp to the Indian Industry at highest diplomatic levels and to persuade the USA and Canadian manufacturers to enter into long-term contracts for Rayon Grade Wood Pulp to meet the country's requirements for say next three years to avoid any hardship to the industry. Unfortunately, no action appears to have been taken regarding this suggestion. Such an action was considered absolutely necessary especially when it was understood that the Embassies/Trade Commissions of various wood pulp importing countries which are located in USA and Canada had contacted the wood pulp manufacturers as well as the respective Government authorities in these countries with a view to persuading them at diplomatic levels to enter into long-term contracts for supply of pulp.

It will thus be observed that a stage has now reached whereby a fall in production of Viscose Filament Yarn in the coming months is almost inevitable unless speedy measures are taken for obtaining further supplies of wood pulp promptly. Curtailment of production, through no fault of the industry, will indubitably have its adverse effect on the working of the entire artsilk textile industry, specially so in the realm of exports of Viscose Filament Fabrics. The Association of Man-Made Fibre Industry has, therefore, once again requested various concerned Government authorities, including the Prime Minister, to take up this matter at highest diplomatic levels to persuade, in particular USA and Canada to agree to supply this essential raw material to the industry promptly in adequate quantities with a view to avoiding the closure of the industry and the undesirable consequences which would certainly ensue. It has also been suggested that this matter may be included as one of the items on the agenda for discussion with the accredited representatives of USA during their visit to India some time towards the close of the year, so that some fruitful results could be achieved in procuring adequate supplies of Rayon Grade Wood Pulp, both on short-term as well as long-term basis.

Additionally, the exports of rayon fabrics during 1973-74 are estimated to be Rs 21.00 crores. The target for the current year (1974-75) is Rs 30.00 crores. The requirement of foreign exchange of the rayon spinning sector for import of wood pulp, sulphur, zinc etc at present is estimated to be Rs 19.00 crores. Since the export earnings have exceeded the amount of foreign exchange required, the Govearnment should grant import licence/Letter of Authority to the spinning units so that supply of wood pulp to the manufacturing units is assured, yarn is made available on a continuous basis to the exporting units and the tempo of export trade is maintained. Further, in order to encourage production of wood pulp in the country, such spinning units which are producing their own wood pulp and are self-sufficient in this regard should instead be allowed to use such an import licence/Letter of Authority for import of spare parts and equipment required by them.

(ii) Alcohol

There is only one unit manufacturing Acetate Yarn and this unit is still suffering from acute shortage of Alcohol. Moreover, this unit is also experiencing various difficulties for the supplies of Alcohol from other states. If this unit is to achieve its full capacity the Government should use its good offices and take adequate steps to ensure regular supplies of Alcohol at reasonable prices.

(iii) Caprolactam and DMT

Caprolactam, the basic raw material for nylon is very difficult to come by. However, with commencement of production of the Gujarat State Fertilizers' Caprolactam plant there is reason to hope that within a reasonable period the current tight supply position will be eased to some extent. Supply, however, is not the whole problem. There is also the question of price. GSFC have initially fixed a rather high price for their caprolactum and added to this, is the imposition of 50 per cent by way of Excise Duty, bringing the price in the region of Rs 41,000 per tonne as compared to about Rs 22,000 for the imported material. Naturally, this will be reflected in higher costs of nylon fabrics making them too costly for Indian consumers and virtually impossible to be competitively priced for export.

(iv) Furnace Oil

Despite the fact that man-made fibre industry is a priority industry and an essential commodity, the Government has imposed 20 per cent cut in the supply of furnace oil. Furthermore, if as reported, it is true that Government is also considering a proposal to allow import of Furnace Oil to export-oriented industries, then it indubitably stands to reason to treat Man-Made Fibre Industry in general and Viscose Filament Industry in particular as an export oriented industry. As for instance, currently the indigenous manufacturers of rayon yarn have agreed to increase yarn supplies to exporters of rayon fabrics from 10 per cent to 25 per cent at highly concessional prices which are far below the prevailing international prices. As a sequel thereof the exports of rayon fabrics have reached an all-time high figure of approx. Rs. 21 crores and has every possibility of getting augmented to the tune of Rs 30/35 crores even in the short run. In the circumstances, it is very essential to include this industry under the exempted category and if, for certain valid reasons, this is not possible, the Government should at least allow this export-oriented industry to import furnace oil to the required extent against the foreign exchange earned by the industry.

(v) Burden of heavy excise imposition

Between 1956 and today, the excise duty of this industry has shown a phenomenal increase and in several cases the increase has crossed the 1000 per cent mark i.e. there has been a tenfold increase. One can say without hesitation that very few industries have borne such a high increase. Further the excise duty element in selling price constitutes a very big factor proving to be a burden for the entire man-made textile industry, the spinners, weavers and also the ultimate consumer. Judged by any reasonable standards man-made fibre industry in general and cellulosic fibre industry in particular, cannot be deemed to be a luxury industry confined to the elite. If increasing public acceptance could be deemed as reliable yardstick, and if its increasing production could be taken as its proof of its importance to the economy then it is submitted that the heavy excise duty imposed on the industry deserves to be revised to lower levels taking into account its growth perspective and its capacity to stabilise the entire textile industry in particular.

C. Self-reliant measures in man-mades

(i) Expansion of output

Beginning with a meagre production of 2.5 million kgs in 1951 and with only two units to make up this figure, the man-made fibre industry is currently having 21 plants under production with a production capacity of about 143 million kgs per annum catering, among others, to the needs of more than a lakh of powerlooms and nearly four lakh of handlooms in the country. The increase in the output over the years on the one hand and the fulfilment of the targetted demand by due expansion on the other connote that import substituation has already been resorted to by reducing the import bill in a significant measure through indigneous production.

(ii) Raw materials for man-made fibre industry

(*a*) *Rayon Grade Wood Pulp*: After carrying out extensive research and development work, it is found that bamboo and eucalyptus trees, which is and which could be made available in abundance, are also quite suitable like softwood, viz spruce, fir and pine trees for the manufacture of rayon grade wood pulp. But it was not until 1963 that rayon grade wood pulp was produced indigenously on a large scale and the pulp so produced was found fit for utilisation in the manufacture of staple fibre. With the passage of time, things in this direction has substantially improved and the problem of manufacture of rayon grade wood pulp has been resolved in a very satisfactory measure with indigenous know-how and having almost all the machinery available in the country. This apart, the plentitude of renewable forest resources in the country gives one enough encouragement that with the increasing production of cellulosic fibres year after year, there would not be any problem regarding the availability of Rayon Grade Wood Pulp. However, what is required is a planned afforestation and suitable incentives, by way of permitting man-made forests either in the public, private or joint sector even and by way of certain tax facilities, among others, should be allowed by the Government so that the forest-based industries could rise to their full stature with a time-bound programme, catering to the requirements of the country in an abundant measure.

(*b*) *Caprolactam and D.M.T.*: Efforts towards achieveing import substutions in the field of raw materials for synthetic fibre industry is also gathering momentum. The Government of India have already decided to set up various projects in the country for producing raw materials for synthetic fibres and when these projects materialise, it would have the capacity to produce 90,000 tonnes of synthetic fibres per year resulting in a foreign exchange saving estimated to the tune of Rs 36 crores per year. It is, of course, true that the current oil crisis has counselled caution in going ahead with these projects. But the fact remains that this situation need not deter the Government or the industry to feel that the growth of the synthetic fibre industry on this account would be the reverse of forward; for, the quantum of available oil resources needed for the growth of the synthetic fibre industry is of smaller dimensions than what it would be for other oil-based products.

(*c*) *Machinery and Equipment*: It is, highly commendable that the country is now in a position to manufacture and even export complete range of rayon and allied plant and machinery with very few imported components. Some headway has also been made in the field of machinery equipment for the manufacture of synthetic fibres. Certain chemical plant manufacturers are already making some of the equipments needed in this direction, such as, sophisticated polymerisation, spinning and take-up equipments in respect of Nylon and Polyester plants. It is not necessary for us to elaborate on the progress made in the field of manufacturing machinery equipment for synthetic fibre industry, but suffice it to say that the machinery-building activities for synthetic fibres have assumed greater importance in the present context of implementing synthetic fibre projects by the public, private and joint sector undertakings, and a sound and worthwhile beginning has already been made in this direction.

(*d*) *Spinner's Gesture to Boost Exports*: After the abolition of the export promotion scheme following devaluation in June 1966, India's export of rayon textiles suffered a serious setback. Taking this fact into account the viscose spinners had agreed as far back as 1968 itself to give 10 per cent of their pro-uction of first quality rayon ilament yarn at concessional rices by way of replenish- ent against export earnings. s things stand, exports of ayon textiles have shown a ommendable face-lift. In rder to stabilise the present pward trend and also has a easure of planning for he future, the viscose spinners, have entered nto a new agreement, hereby they would make vailable 25 per cent of the roduction of yarn at con- essional rates which are not nly far below the international prices but are even elow the cost of production f the industry.

If the result, however, has o be on desired lines, it becomes evident by any reason- ng that there has to be equa- ity of sacrifice, i.e. the wea- vers also should envisage a scheme whereby they would be sacrificing a part of their earnings for the sake of all-round betterment in the realm of indigenous produc- tion and exports as well. Additionally, it would be a part of prudence to stream- ine the existing administra- tive council of the Silk & Rayon Textiles Export Promotion Council by giving adequate representation to the viscose spinners who have contributed and are contributing sizeably by way of supply of yarn at highly concessional rates. This apart, it would be quite in keeping at this juncture to suggest that the Government should also advice the S.T.C. to continue its cash assistance programme for some more time until our exports get stabilised at higher levels.

D. Voluntary Agreement—A Pattern for Progress

It goes to the credit of the man-made textile industry that it is not viewing its problems in isolation, but has, by and large, taken the initiative of accommodating as far as possible the viewpoints of all those within the industry. The agreements it has reached is an instance in point. The agreement indeed blazes the trail of a new approach to inter-industry understanding. It has at least shown that, without official interference, it would be possible to sort out many of the problems of the different sectors of the industry to their mutual advantage. It is, however, a two-way traffic requiring a degree of responsibility and responsiveness from both the sectors for the successful implementation during the currency of the agreement. It also connotes and casts an obligation on each sector not to make capital out of market fluctuations to the disadvantage of another sector.

One can also venture to add that an opportunity is again created for the betterment of the industry at large through co-operative and collective endeavour. As things stand with shortages of vital raw materials and heavy and disproportionate excise imposition facing the industry to the bargain, it is the fervent hope of the well-wishers of the industry that it would not do anything to miss the bus because of its narrow sectoral loyalties but would rise to the occasion to dispel the prevailing misconceptions and improve the image of the industry with a conscious and concerted endeavour.

E. Growth Perspective

In the world of today, man-made fibre industry has become a symbol of progress and is playing a pivotal role in the realm of textiles, among others, affording new values, aesthetics and economy. Today almost everywhere around the world they are enriching the natural resources and have not only been able to vie with nature but in some cases have even excelled her. By means of these new and reasonably priced materials the broad mass of society have been able to enjoy necessities and luxuries that have for centuries been restricted to the elite and to the privileged few. If the present era could be styled after the materials that characterise it, our age could go down in the history as the age of science, synthetics and blends. We may also venture to add that man-mades have helped mankind to bridge the raw material gap and has made significant contributions to the present pace of scientific and technical progress. It is against this picture of prospects and possibilities, its problems will have to be resolved and its much-needed progress visualised by a forward-looking policy of the Government.

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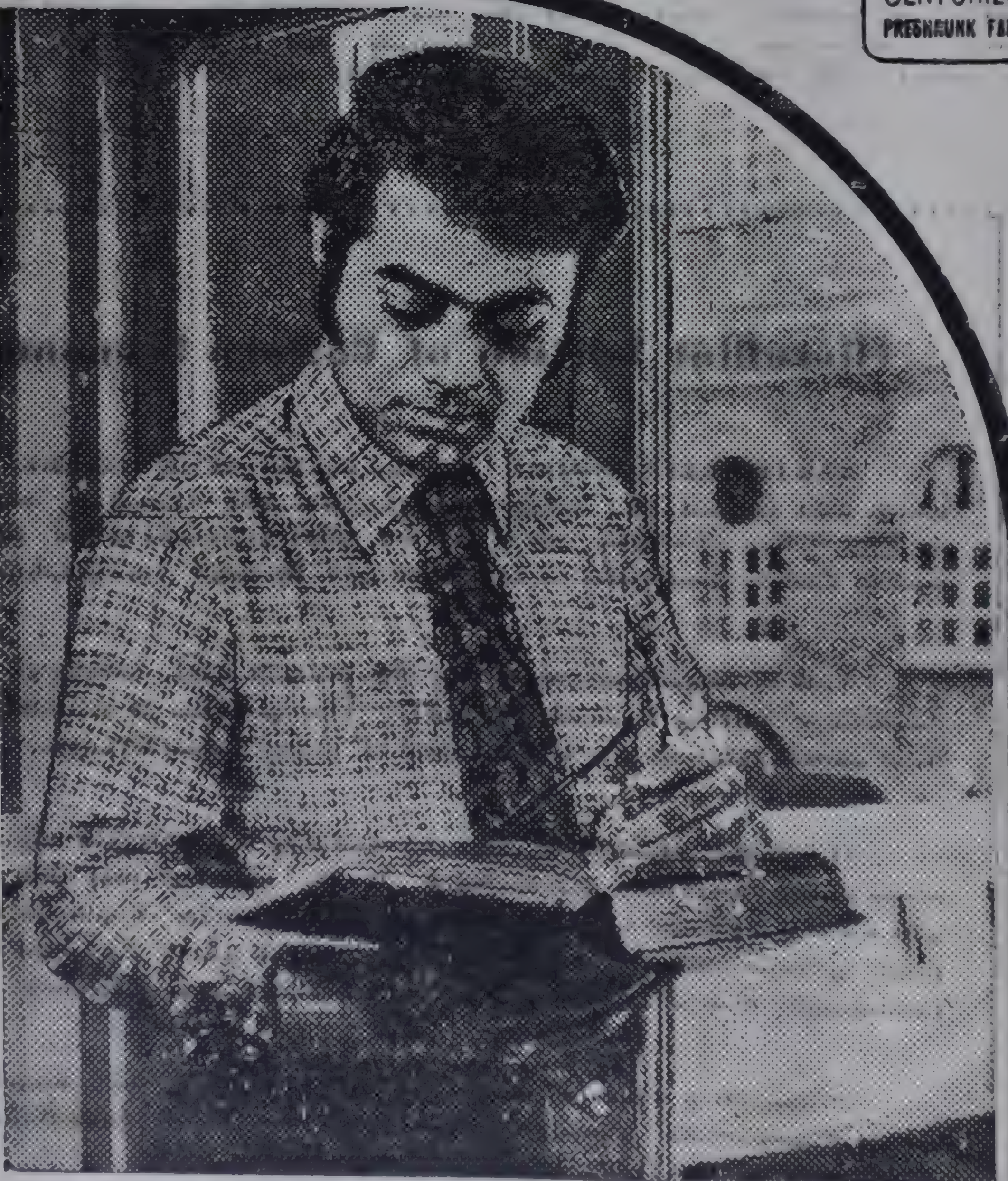

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Indo-US joint communique

THE FOLLOWING is the text of he Indo-US joint communique issued at the end of Dr Henry A. Kissinger's visit to his country:

At the invitation of the government of India, the US Secretary of State, Dr Henry A. Kissinger, paid an official visit to India from October 27 to 30, 1974. The Secretary called on the President of India and held discussions with the Prime Minister, Foreign minister and other senior ministers and officials of the government of India. He conveyed to the President and the Prime Minister, President Ford's personal greetngs and his satisfaction over he improvement in US-Indian relations. The cordial and frank nature of the discussions during the secretary's visit reflected the desire and interest of both countries in broadening the basis for their relationship and in strengthening the many contacts and ties between the Indian and American people.

During the discussions there was an exchange of views on various aspects of bilateral reations, the situation in South Asia and neighbouring regions and a review of the global situation including the world economic situation.

The Indian side explained the initiative and steps it had taken under the Simla agreement towards normalisation, and for the establishment of durable peace and cooperative relations between the countries of the sub-continent.

The American side expressed its satisfaction at the initiative taken by the prime minister of India and the effort of other leaders of South Asia and at the progress that had been made in bringing about regional peace and cooperation and expressed their supports for the Simla process.

Both sides agreed that it was in the interests of all the countries of the region to live in peace and harmony on the basis of sovereign equality and without intervention by outside powers or attempts by such powers to gain positions of special privilege in the region.

The two sides expressed their satisfaction at the improvement that has taken place in their bilateral relations and agreed that based on their democratic traditions, structure of government and past relationship, there was considerable scope for further strengthening of bilateral relations. Both sides affirmed that there is no conflict of national interests and that Indo-American relations are based on the principles of equality, mutual respect and mutual understanding.

The two sides agreed that it was desirable to promote cooperation between the two countries and that the agreement to set up an Indo-US Joint Commission which Secretary Kissinger and Foreign minister Chavan signed on October 28 marked a significant step forward in building a framework for more mature and meaningful relations and active cooperation.

They expressed confidence that the joint commission would facilitate contacts and exchange in the fields of trade and commerce, economic cooperation, science and technology, education and culture and other fields.

The first meeting of the Joint Commission was held in New Delhi, on October 28, 1974, and the next meeting will be held in Washington early next year. It was also agreed that sub-commissions would soon be established and begin their regular meetings in New Delhi and Washington.

The Secretary reviewed recent developments toward a lasting peace in the Middle East. The Indian side welcomed the progress so far achieved. Both sides expressed the hope that a just and lasting peace will be achieved on the basis of Security Council resolutions 242 and 338.

The Secretary reviewed progress to date in implementing the Paris accords on Indo-China. Both sides expressed the hope that just and lasting peace would be established in Indo-China on the basis of respect for the independence and sovereignty of the states of the region without any outside interference.

Both sides noted with satisfaction the series of agreements which have helped to reduce tension in Europe. They expressed satisfaction at the process of decolonisation in Africa and expressed the hope that this process will be accelerated.

In reviewing the international situation, both sides expressed satisfaction that relaxation of tension and development of cooperation are becoming the main characteristics of international life. They expressed their strong support for further efforts to reduce international tensions and build a global detente.

On disarmament matters the secretary described US-Soviet efforts to accelerate progress in reaching agreements on strategic arms limitation. Both sides expressed their support for the realisation of concrete measures in the field of arms limitation and disarmament.

The Secretary also discussed US concern over the implications for regional and global stability of nuclear proliferation.

The Indian side reiterated its consistent position that the highest priority in international efforts should be accorded to nuclear disarmament and that in order to achieve international peace and stability, all proliferation of nuclear weapons should be stopped.

The Indian side also affirmed India's policy not to develop nuclear weapons and to use nuclear technology for peaceful purposes only. The US side welcomes the government of India's affirmation in this regard.

There was mutual recognition of the need of putting nuclear technology to constructive use, particularly for developing countries, and of ensuring that nuclear energy does not contribute to any proliferation of nuclear weapons.

In reviewing the current international economic situation and the rising prices of food, fertiliser, fuel, industrial materials and technology, both sides agreed that cooperative efforts by governments were called for to prevent further deterioration of the world economic structure to the detriment of both the developed and the developing nations. The two sides noted the serious situation developing in the most seriously affected countries as a result of rising prices and the paucity of resources now available to them.

They expressed the hope that the forthcoming World Food Conference in Rome will find a way of conserving world foodstocks and making them available to the most seriously affected developing nations on more favourable terms. They also agreed to exchange views and technology on a bilateral multilateral basis in order to achieve increase in national food production and ensuring the necessary inputs of energy, fertilisers, technology, etc.

The US Secretary of State

thanked the government of India for their cordiality and warm hospitality and invited the minister of External Affairs of India to pay an official visit to the USA. The invitation was accepted with thanks.

The Prime Minister conveyed an invitation for President Ford to visit India in 1975, and Secretary Kissinger accepted the invitation on behalf of the US President.

Indo-US agreement on joint commission

THE FOLLOWING is the text of the agreement between the government of the Republic of India and the government of the United States of America to establish a joint commission on economic, commercial, scientific, technological, educational and cultural cooperation.

"The government of the Republic of India and the government of the United States of America, guided by a common desire to strengthen further the friendly relations between their two countries, determined to explore the possibilities of fostering mutually advantageous cooperation between them in the economic, commercial, scientific, technological, educational and cultural fields, have agreed as follows:

Article 1: The government of the Republic of India and the government of the United States of America hereby constitute a joint commission on economic, commercial, scientific, technological, educational and cultural cooperation.

Article 2: The tasks of the commission may include the following:

1. In the field of economic and commercial cooperation: (a) To review matters concerning economic and commercial relations between the two countries; (b) To identify and investigate areas for closer cooperation, to make joint studies in areas of common interest and to recommend programmes concerning economic growth and development through mutual cooperation; (c) To recommend measures and activities to stimulate two-way trade between the two countries consistent with their international obligations, which may include inter alia the sending of trade promotion missions and trade delegations; (d) To promote possibilities of increased investment consistent with the investment policies of the two countries: and (e) To explore possibilities of enhanced cooperation between financial, industrial and commercial institutions and organisations.

2. In the field of scientific and technological cooperation: (a) To review and recommend plans for cooperation between the two countries and measures for their implementation and coordination, which may include, inter alia, the exchange of specialists and information and the organisation of bilateral seminars on problems of common interest; (b) To identify common scientific and technological problems and to formulate and recommend joint research programmes which might lead to application of results in industry, agriculture, health and other fields; and (c) To explore possibilities of enhanced scientific and technical cooperation between the two governments, their agencies and other institutions in the two countries.

3. In the field of education and cultural cooperations: (a) To review and recommend programmes, plans and priorities for cooperative efforts to facilitate the interchange of peoples, materials and ideas in the broad fields of education, scholarship, and such areas of cultural endeavour as performing arts, fine arts, libraries and museums, sports and mass communications, and (b) To review periodically the progress and functioning of existing programmes and arrangements, making recommendations as may be appropriate.

4. The commission may also consider matters arising in the course of the implementation of the agreements between the two countries in force from time to time in the fields of economic, commercial, scientific, technological, educational and cultural cooperation including those which may be signed hereafter and make recommendations for the successful fulfilment of those agreements.

5. The commission shall also be commpetent to review other problems that might arise in the implementation of this agreement and other related matters that might be brought up by either party.

Article 3: The commission shall consist of representatives of the two governments with the representation of each government headed by an official of ministerial or cabinet rank. The commission may appoint sub-commissions and with other bodies as may be necessary to deal with specific issues or fields of cooperation and to make appropriate progress reports.

Article 4: The commission shall hold its meetings not less than once a year. Meetings of the commission shall be held in each country alternately. The commission may invite to such meetings, as may be mutually agreed, the required number of experts and advisers. Special meeting of the commission may be convened by mutual agreement.

Article 5: Within its areas of competence, the commission may submit mutually agreed findings or proposals respective government.

Article 6: Admini expenses incidental meetings of the com and its sub-commissio be borne by the cou which the meeting i Each government sha the expenses of its presentation at the of the commission sub-commissions, incluc expenses of travel t meetings as well as bo lodging and other expenses of its represe All procedural and a trative matters not p for herein shall be det by the commission or commissions upon the consent of the two side

Article 7: This ag shall remain in force, to the right of either ment to terminate notification to the government in writin intention to do so, suc fication being made n than six months prior proposed date of tern of the agreement. Unle wise agreed, the tern of this agreement or activities of the con shall not affect the va duration of any other ments entered into by governments in the f economic, commercial fic, technological, edu or cultural cooperatio

Article 8: This ag shall come into force f date of signature here

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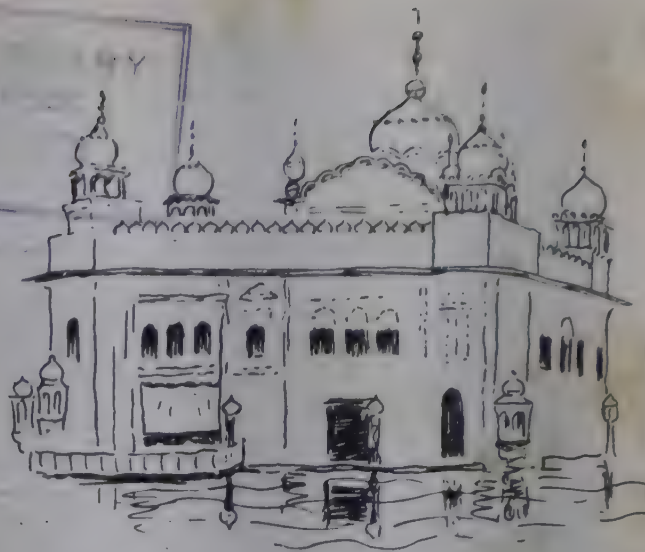
Prosperous PUNJAB



HAS earned the distinction of being the most prosperous state in the sense that its per capita income is the highest among all the states of the country.

How has this border state which underwent the bitter trials and tribulations ated with military conflicts on two occasions — 1965 and 1971 — come up so the income scale of the country? This supplement is an attempt to study not his state's ascent to the peak but also the economic and political trends and the nt characteristics of the people of this state.

One fact which stands out is that during the last three years, the state has enjoy- itical stability which was denied to it in the preceding five years due to the lay of various political, economic and social forces. The Congress ministry its present chief minister, Mr Zail Singh, has a comfortable majority in the state ture and, thanks to the sound foundations laid down during the chief minister- f the late Partap Singh Kairon, Punjab has taken rapid strides both in agriculture ndustry.

True that Punjab has very few large-scale industrial units but this deficiency has illed by the multiplicity of medium and small-scale industrial units which are all over the state. The sturdy people of Punjab have carved out a unique on for themselves in this country and have become the defenders of our borders l as providers of foodgrains to the deficit states of this country.

Apart from the short-term difficulties created by the failure of rains and the ge of power and diesel which have affected adversely its paddy crop this year, rmer in Punjab is prosperous and is still optimistic about his future. The chief ter, Mr Zail Singh, was reflecting the mood of the people of Punjab when he said exclusive interview with *Eastern Economist* that given the necessary inputs s water, steel, fertilisers and coal, this state could raise the standard of living of eople, within the next decade, to the level of the most advanced country in pe.

Because Punjab is an agricultural state, it is but natural that the budgets of the should set apart larger shares for its promotion. Further, the state government is of the need for promoting industries both large and small-scale in order to use of the technical manpower available in abundance in the state. Some of ublic sector undertakings particularly the Punjab State Industrial Corporation, unjab Financial Corporation and the Punjab Small Scale Industries Corporation done pioneering work in this regard.

The farmer in Punjab has converted a state which was deficit in foodgrains on ve of independence into a surplus one. Punjab has now acquired the capacity to ase its surpluses further provided it is able either to mobilise its own resources t adequate assistance from the centre. Some of the major projects particularly in eld of irrigation and power are beyond its capacity and hence the centre's assis- is imperative. Surely the state has done well and is expected to do much r in the coming years provided it is able to get the assistance that it needs from entre.

The centre has been less than fair to this state for having fixed extremely low s for paddy in the current kharif crop. It is likely to reduce the state's capacity ise itself through its own bootstraps. The withering away of the paddy crop in areas has cast gloom over the state. The unremunerative kharif prices have fur- dampened the spirit of the farmer. This policy will make him turn to cash crops ing to a further reduction in foodgrain surplus.

—S.P. CHOPRA

eastern
ECONOMIST

Vol .63 November 8, 1974 No. 19

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Cover Picture :
Golden Temple, Amritsar.

Production :
L.N. Raina, Assistant Editor
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Punjab—the land of the brave

INTERVIEW : GIANI ZAIL SINGH

Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, interviewed Mr Zail Singh, Chief Minister, Punjab, at Chandigarh on September 18, 1974.

Q. *Will you kindly give a bird's eye view of the current economic and political situation in Punjab with special reference to recent developments?*

A. As you are aware, this border state passed through full five years of political instability. It is only during the past about three years that the state has had a stable government and it was during this brief period that it has once again resumed its march towards progress and prosperity. However, the state is facing today an acute shortage of power which is becoming a stumbling block in our onward march.

Before the present government came into power, there were certain inherent deficiencies which plagued its political as well as economic scene. There was the demand for Punjabi Suba which generated a lot of heat in the state and gave birth to a number of agitations. Even though at that time the state enjoyed a stable government yet the agitations had injected an element of uncertainty.

Again, there were wars between India and Pakistan which resulted in bitter fighting on the borders of Punjab. The intensity of the war operations on the borders of this state made it extremely sensitive. There is no doubt that there are a few other states which have borders touching other countries but the borders of Punjab with Pakistan have assumed special importance.

Q. *Does it mean that because of the perpetual danger of war it would not be advisable to set up large industrial units in Punjab?*

A. It is true that the private sector has always felt shy of setting up large-sized industrial units in this state That is why it is the public sector in Punjab which is going ahead with its plans to set up both large and medium-sized industrial units here. The private sector industrialists, rightly or wrongly, are of the view that they should set up their industrial units as far away from the border as possible.

However, the war between India and Pakistan in 1971 brought home the truth that none of our cities is safe, however far away from the border it may be. Many cities in India were bombed by Pakistani planes which were pretty far away from the border. Perhaps you know that the very first bombs after the Indo-Pakistan hostilities of 1971 were dropped in Agra. The private sector industrialists should realise that if there were any war, it would not be possible to predict where the bombs would fall and where they would not do.

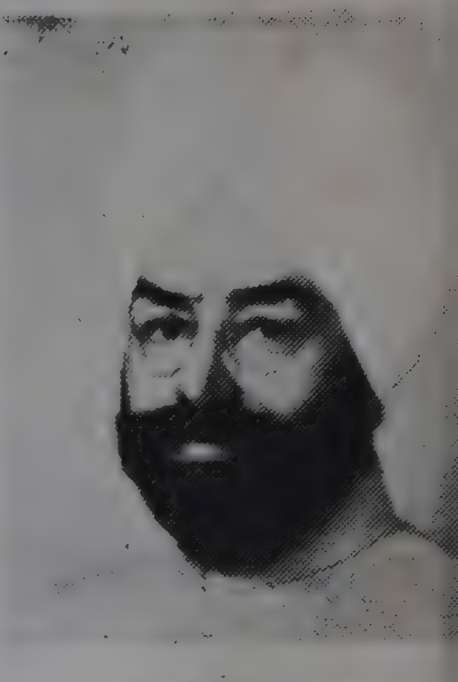
The government of Punjab also realises that it has failed in encouraging the private sector industrialists to come to Punjab for the setting up of large-sized industrial units. Now we have started a campaign in right earnestness and we are helping the industrialists in every possible way. We are offering them a number of incentives.

Again, if an entrepreneur comes forward in the Department of Industries with a proposal to set up a plant, he will not have to do much leg work. Within two months, he will get a reply in the affirmative or the negative. If any officer takes longer time than the period stipulated, then he is censored for incompetence. A delay in the finalisation of the project can take place only if the industrialist is not able to put up a complete proposal. It may be delayed because the industrialist has not been able to finalise the proposal and not because of any delay on the part of the department here. I want to repeat, he has not to bribe anybody neither has he to appoint any special agents for this purpose nor to adopt any under-hand means.

I am of the firm view that the industrialists who set up big factories are people with extraordinary talents. That is why they are able to manage such big manufacturing units whose annual turnover runs into crores of rupees. Instructions have been issued to our officers that in no case the industrialists coming forward with new proposals should be treated with less respect. They should be given the utmost respect and they must be listened to at the appointed time. The officers have been advised to be fair and frank and they should not play a game of hide and seek with the entrepreneurs.

I wish to tell the industrialists of India that they should not forget one basic truth and that is that the country is moving towards socialism. Private ownership is not going to stay in this country for ever. Gradually the share of private ownership in industry has to go down. It may not come at one stroke but surely a steady decline will take place.

We are not bringing up socialistic measures at a fast pace because we are also tied up in a democratic set-up. We cherish democratic values though we have started our march on the road to socialism. However, the private sector industrialists should realise that the day will come when they will also become a part of the public sector. Whatever resources they have, they will have to be used for the general uplift of the economy of this country.



Giani Zail Singh

We do face a short-term problem in the shortage o power at present but we ar determined to overcome i If an industrialist decides t set up a plant in Punjab, h will not be serving this borde state but the whole country. I coming to this state, he shoul feel completely fearless jus as the farmers and the factor workers here are looking afte their work in a fearless manner

Q. *What is your message t the large-scale industrialist of this country?*

A. My message to them i this: they must come over t our state and make the maxi-mum possible investment here Even in the case of large busi-ness houses, I will advise tha they must come over and pla the setting up of new industria units here. If there is any ba on licences being issued t them, I will go to the centr on their behalf and will se to it that they are given licence for setting up industrial unit in Punjab. I will like these in-dustrial units to be set up i the three border districts o Punjab but if they are not will-ing to do so they can also selec sites in other districts of thi state. They will get every kin of assistance for the comple-tion of the projects.

I am convinced that ou agriculture has taken rapi strides and we do not have large scope for expansion. We do not have more than 1.1 million acres of arable land. Even if we are able to provide all the inputs such as water, improved seeds, fertilisers and pesticides, our production can at best go up by a million tonnes. That is the upper limit. Our agricultural output may not be able to rise much further than that. At best we can through frequent changes in crops try to gain more from the land in money terms. There are some lands which have not been brought under the plough. We will make every possible effort to bring them under the plough.

We are selling the idea to the people that the residential houses should be constructed on the smallest possible land. At no place in the state the construction of a house is allowed to cover more than a kanal* of land because land at our disposal is limited and after the reorganisation of the state, the portion which has come to our share is fully developed particularly in agriculture.

However, we must understand it very clearly that small-scale industries can prosper only if the large-scale units are also established in the state. We do have a large variety of small-scale units but the share of small-scale industry is relatively small. We have done our best to encourage the establishment of large-scale industries. The state does not lack technical hands. We have technicians of every calibre, low as well as high. There are technicians in Punjab who may not have obtained diplomas in an institute but who are capable of fabricating sophisticated machinery comparable to the best imported from foreign lands. Every time a delegation from this state went to a foreign country, its members came back with new ideas and they fabricated machines, which they had seen there without the assistance of any blue-prints. That is why we are keen that we should be able to exploit their capabilities. We wish to create facilities in the state so that their talents may further progress.

Q. *Punjab has been able to attain the highest per capita income among the various states of this country. Will you kindly enumerate the salient reasons for its progress to the top position in such a short period?*

A. In order to answer this question, I may have to delve deep into the history of this state. You are aware that this border state has a long historical past and in this respect, it completely stands apart. Whenever our country was invaded, the invaders passed through this state. It was the people of Punjab who faced the invaders first.

It were such challenges and difficulties which made the people of Punjab not only strong but also fearless and hard-working.

Second, our gurus, rishis and gods all stayed here and for pretty long periods of time. Lava and Kush, sons of Lord Rama were brought up in this land. Lord Krishna preached the Gospel of Gita here. Guru Nanak, Guru Govind Singh and Banda Bahadur were all the products of this soil. All of them made the people of this state self-respecting. The people here inherited the habits of sharing and enjoying the gains in life. They did not amass wealth. They worked hard and they earned enough to keep body and soul together. You yourself are a Punjabi; you know very well what the motto of a Punjabi is. He will earn well, eat well and dress well; all these have become a part of the nature of a Punjabi. It is well-known in Punjabi: "What you eat and drink is yours. What is left over will be plundered by Ahmad Shah." (The reference here is to Ahmed Shah

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* About 500 sq yds.

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Abdali who plundered northern India before Sikhs came into power). This saying is reminiscent of the prevailing mood of the times because the invaders looted whatever the people saved; hence the emphasis on consumption.

Let us not forget that through the ages, whatever calamities befell, they became a boon in disguise because they fashioned the character of the Punjabi in a different mould. That is why the Punjabi today operates in every field with courage and without fear.

Other parts of our country remained under the foreign yoke for more than 200 years but Punjab was the only state which remained free for 100 years while the other parts of the country had been enslaved. Punjab spent 102 years in slavery but during this period, it was struggling to be free. It was not like a mute bird in a cage; it fought big battles with the foreign rulers. It gave birth to outstanding martyrs, that is why slavery and its ill effects did not enter the blood stream of the Punjabi.

With this background, it is no wonder that the people are hard-working and capable of utilising all the resources available to them. They have confidence in themselves. They believe in the full utilisation of their faculties. If they earn on a good scale, they also spent on the same scale.

Our irrigation system is among the best in the world; it had attained rare excellence even before Independence. It was because of the superior irrigation system that we were able to increase our agricultural output substantially.

Also, the Punjabi feels at home even in far off places. He is fond of going round the whole world. While people from other states are fond of knowing about the world through their books on geography, the Punjabi believes in going out and seeing things with his own eyes. He watches others at work and tries to learn the ways of operation of superior races. Thus, through his own capabilities and inherent talents he has been trying to push himself forward economically. Even recent history has demonstrarated that ignoring the hardships he has worked very hard, specially after Independence. Wherever and in whatever corner of the country he has settled, he has not begged for help. On the contrary, he gave something to that place as his contribution. He made a bigger contribution than what he obtained for his sustenance.

I can assert with confidence that if in Punjab we are able to get enough power, steel, fertilisers, coal and water, then within the next nine years Punjab will compare favourably in standard of living with the most advanced nation in Europe.

Q. *Your description of the character of a Punjabi is indeed very fascinating. You have made me feel proud as a Punjabi. May I ask you what would be the shape of things in Punjab during the next six months because of the failure of rains and consequent upon the power crisis?*

A. Surely it has had a very unfavourable impact on our crops. At present, our paddy crops are withering. Every time I pass by the withering paddy fields, my spirits droop and I feel disheartened. We had not experienced such a calamity in the recent past. We had sown the paddy crop in the hope that there would be sufficient rains and by closing down the Nangal Fertilizer Plant and also borrowing power from various parts of the country, we will be able to sustain the crop. Unluckily, the rain god has failed us. Even then, we have not lost heart. Even today we are hopeful that we will have rains in Punjab. We also hope to get power from other parts of the country. We are determined to fight the obstacles which are man-made. We are even prepared to face all the difficulties created by nature. We are determined to give a tough fight to natural forces as well.

Q. *Recently you had visited New Delhi in order to procure additional power. Did you have any success?*

A. I had a long discussion with the central leaders in regard to the supply of power; they have promised to release additional quantities of diesel for Punjab. They have also promised to give us more power and coal.

Q. *Has there been any decision on the prices of agriculture produce for the Kharif season?*

A. There was a discussion on kharif prices but the decision has been left to the central cabinet. We in Punjab believe in plain speaking. Accordingly we put forward our point of view plainly. After that, we have left the final decision in the hands of the national leaders. Whatever the decision, we will make every effort to implement it in letter and spirit.

Q. *What are you doing to mitigate the misery of the people caused by rising prices?*

A. You will have to agree with me that wealth multiplies if you consume it. If you let it lie unused, then you are putting a stop to further creation of wealth. I think that circulation of money gives a push to the economy. On this particular question, I have serious disagreement with the economists. In my view, except for the salaried classes, rising prices have benefited every section of society; they have not harmed them. Prices, no doubt, have risen all over the world. But let us not forget that rising prices have led to rising wages as well. If prices had not risen, how could the tailor ask for additional tailoring charges? Even for a shave today, you pay much more than you paid in earlier times. There is hardly a section of society which is not getting increased wages as a result of rising prices. On top of all this, we are told that we must watch the interests of the consumer. My question is: which consumer?

Q. *What about the fixed income groups? What are you doing for them in Punjab?*

A. We have to give as much attention to the fixed income groups as to the down-trodden classes. The poor man does not hanker after clothing. He does not ask for cement. He does not ask for a house. He lives under the blue sky and asks for only food enough to fill his stomach. I believe it is the duty of the government to provide cheap foodgrains to the poor people. We are determined even to make the down-trodden person hard-working. If he works hard, even a poor man can prosper. At this time daily wages in Punjab range between Rs 8 and 9. At the time of harvesting of the rabi crop, daily wages had risen to as much as Rs 19.

If prices have risen all round, wages have also taken an upward trend. Then in the name of the consumer, all the present agitation seems senseless. Among the consumers, there are people who are affluent enough to spend every evening as much as Rs 300 on a bottle of scotch whisky. They take a number of other foods with whisky; the wheat and rice consumed by them is very small in quantity making a difference of 10 to 15 paise for each one of them. It makes a mockery of the whole problem if these people raise slogans against rising prices.

Q. *May I have your views in regard to the relief currently being given by your government to the fixed income groups?*

A. Before I answer that question, may I ask you if the house-building activity has not increased in the wake of rising prices? Has inflation not benefited the industrialist and the trader? Has inflation not brought about a significant change in the way of living of the people? Today everybody claims to have a watch while 40 years ago there was hardly one watch in a village. In those days, even the richest household had only one watch but oday every body has a watch. Vhen the bicycle cost Rs 30 iere used to be only one of in the family. Today, when ie price of bicycle has multilied 10 times and even more, ie number of cycles in every ousehold is equivalent to the umber of members in the amily. Have a look at the teep rise in expenditure on the novies. Look at the new parkling and pure clothing vorn by our womenfolk. 'oday inflation has brought rosperity to a large section of ur population. To say that nflation has proved a curse is aseless. Everyone has beneited from it — farmer, laourer, trader and industriaist.

Q. *Right in your secretariat, there are fixed salary workers whose incomes have not kept pace with the rising prices. How are they to make both ends meet?*

A. The income of the salaried group has also gone up. There was a time when the basic salary in the secretariat used to be not more than Rs 15 a month. The incomes have increased here but even then I believe that they deserve more. It is conceded that inflation has kept ahead of their increasing income. Let us keep this group apart, though even among the salaried classes there are people who occupy key posts. Their number is small but they are far more prosperous and comfortable than the average person. Their children are getting the best of education and medicines. In fact, they have all the comforts of life. They may be spending all that may be earning and may not be saving anything. But let us compare their condition with those of the depressed classes whose members sleep on the pavements or in the fields. Today the landlord having 20 acres of land but without any other means of sustenance cannot afford to have a change of clothes for himself let alone any luxuries.

Q. *Let me come back to the shortages of consumer goods. Most of the people in Chandigarh whom I have met felt concerned about the non-availability of such products as soap, vegetable oil, sugar, etc. Consequently, they are not able to devote their full attention to work in office. What is the Punjab government doing to reduce their hardship?*

A. There is no doubt that shortages are causing a lot of concern. People are not as much worried about rising prices as about the non-availability of goods. If the consumer goods are available and wages also rise along with prices, then it makes no difference to the consumer. A product which was selling for Rs 10 only recently, is today selling at Rs 25. People are willing to pay Rs 25 provided the product is available. There should certainly be a way out of these crippling shortages. I have recommended this to the central government that we should, as a government, take full responsibility for the distribution system. Even if we leave it to the trader, the public is bound to blame us for any failure. While we should make all possible effort to increase production, we should also have full control over distribution.

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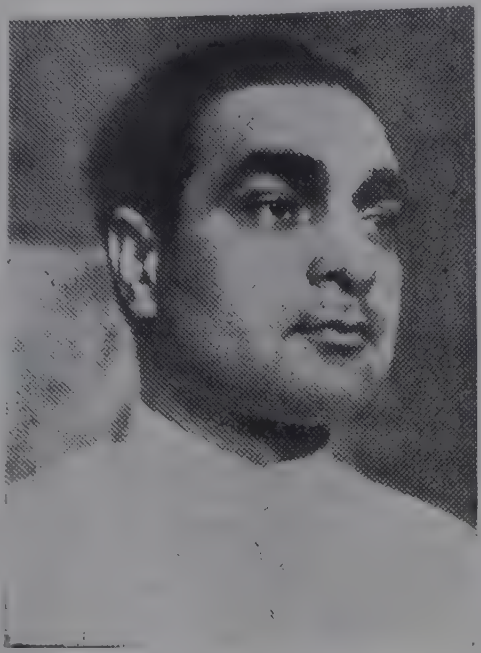
Mobilising resources for development

INTERVIEW : HANS RAJ SHARMA

Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, interviewed Mr Hans Raj Sharma at Chandigarh, on September 17, 1974



Mr Hans Raj Sharma

Q. What is your problem No. 1 today?

A. To find more money for industrial development, agricultural production, irrigation and power generation.

Q. How do you divide your time between Planning and Finance?

A. I divide my time equally between effort involved in raising resources for the plan and for allocating funds for plan schemes.

Q. What are your major sources of revenue?

A. Major sources of revenue are sales tax and excise duties.

Q. Are there any anomalies in your sales tax laws?

A. We have removed the anomalies since we took over.

Q. What about the anomalies in regard to rates of sales tax prevailing in the neighbouring states and in Punjab?

A. Sales tax is a state subject and we take our decisions according to our judgement. Unless Parliament passes an enactment enforcing uniform sales tax rates for all the states, the anomalies will continue. One state raises sales tax on one item, the other state raises it on another item. Unless Parliament comes to make an enactment this problem cannot be solved. The union territory of Chandigarh and Delhi administration would never raise their sales tax rates as they try to attract trade by lowering sales tax rates. It has been discussed many a time in the Northern Zonal Council. Even within the Northern Zone, there is no uniform rate of sales tax.

Q. How effective is your machinery for the realisation of sales tax?

A. Our machinery is very effective. There is of course scope for improvement and we can stop evasion. At present, the evasion is about 25 per cent.

Q. How did you arrive at this figure?

A. We have formed flying squads which make raids. They have informed me about the extent of evasion and the measures needed to check it. It is my own guess based on discussions with various people.

Q. What is your state doing about prohibition?

A. I think prohibition should be there but it cannot be brought about by force. Our Public Relations Department carries on propaganda to discourage drinking habits. If you enforce prohibition by law, you spend more on police for enforcement besides losing sizeable income. There is need to convince the people that this is a bad habit.

Q. So, you think, this is a task for the social reformers?

A. Besides social reformers the government in the Public Relations Department is doing propaganda in this behalf.

Q. Yours is an agricultural state and a major portion of the revenue has to come from taxes on agriculture. What measures have you taken to increase the yield from this sector?

A. Whatever effort we have made during this year after a lapse of many years, it has been appreciated by Mr Chavan and Mr Dhar and both of them have praised our effort and they have said that Punjab has done a commendable job in mobilising resources from the farm sector. We have taken the following measures:

(1) We have increased electricity tariff for power supplied to tubewells.

(2) We have increased water rates by 100 per cent.

(3) We have increased the land revenue on a graded basis and imposed a cess on commercial crops.

Tax on agricultural income is not possible. The lobby in Parliament of those who are in its favour is strong and more so in the state legislature. I think it is a bold attempt on the part of the Punjab government to raise resources from the farm sector and remove the budgetary gap.

Q. Why have you not accepted the recommendations the Raj Committee on agricultural tax?

A. The procedure suggested by the Raj Committee is cumbersome. The yield will not be commensurate with the effort involved.

Q. Have you compared the proposals of the Raj Committee with the measures that you have taken? The Raj Committee had estimated Rs 2½ crores from this source.

A. The central government has appreciated our measures and has recommended them to other states. We have accepted the approach of the Raj Committee and have adopted the above measures on that basis. In raising the rates of land revenue, we have adopted the principle that larger the holding, the greater the pro-rata tax. It is cumbersome to tax agricultural holdings. There is a progression in the tax on land revenue. The element of progressio has been further introduced b the cess on commercial crops

Q. Has Punjab found additional resources for Bea Project?

A. Whatever was indicate initially, has been contributed When they wanted additiona resources, we made availabl Rs 5 to 6 crores. Last yea also we contributed whateve the Planning Commission ha desired, and we have mad provision in our Plan and th budget accordingly. Whateve the additional requirements, funds are being found accordingly.

A committee of the centra government is scrutinising expenditure on Beas. We shal give five crores of rupees ove and above the money provide for this project, i.e., Rs. 20 crores by cutting expenditur on education and other socia services.

Q. If the state had a balanced budget, why did you go in for an over-draft?

A. Whatever the central government spends on our behalf, on Beas etc, is booked against us and we come to know of it later. The system of accounting and budgeting is such.

Q. There is a power crisis in Punjab. What is your government doing about it? If the state government had set up small power plants for the small-scale industries, they could come to their rescue today. Have you discussed this problem?

A. The cost will be very high and we have to enter into an agreement with the electricity board. This problem is being examined by us.

Q. Why cannot you provide small coal plants?

A. Coal is very difficult to get and also costly to transport. We will be lucky if we are able to get enough coal even for the thermal plant at Bhatinda. We made an additional demand for diesel but the central government told us that they would have to incur

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3. Derra Bassi Block in Patiala District
4. Along Sirhind Canal from Ropar to Manpur

58000 Acres additional areas has been brought under irrigation in the State with the tubewells energised so far an additional expenditure of Rs 30 crores in foreign exchange. The Rs 30 crores foreign exchange component should be compared with production which may be of the value of Rs 50 to 60 crores.

Q. The price of petroleum has gone up 5-6 times. This country cannot afford to pay more on petroleum products in foreign exchange. We have to depend on coal resources as a short term measure. Have you looked into this aspect?

A. We will examine if it is feasible in Punjab.

Q. Punjab is a prosperous state. Are consumer goods reaching the people?

A. We are streamlining the distribution system. We are rationalising the rationing system as Mr Subramaniam has stated. We shall take responsibility for 50 per cent of the weaker sections population.

Q. That is good for the future. What is the position today?

A. We have organised the distribution system in wheat, atta, sugar, vegetable ghee (partly) and kerosene oil through ration cards.

Q. How do you visualise the situation in the next three months in Punjab?

A. We will sort it out.

Q. You may be sorting it but will it not get very difficult for the people?

A. The failure of rains is a natural calamity but we will face the challenge as we have done in the past.

Q. Do you go round the state to see for yourself the prevailing conditions?

A. Yes, I have been out for the last four days to Pathankot, Jullundur, Ludhiana, Malout and Gidderbaha. Only at one place a few people stopped me; they wanted a diesel truck to be unloaded there. I told them that I would go to Ludhiana and ring up the Deputy Commissioner to make immediate arrangements for the supply of diesel. We give diesel to each farmer according to his weekly requirement. We will do our best to tide over the economic crisis.

On the path to plenty

S. P. CHOPRA

A TOUR of the state of Punjab in the middle of September this year has left some indelible impressions on my mind. Way back in 1947 I had a chance to look at Punjab; at that time the state was in complete disarray. In sharp contrast to the anarchy which prevailed 27 years ago this border state showed signs of vitality and progress.

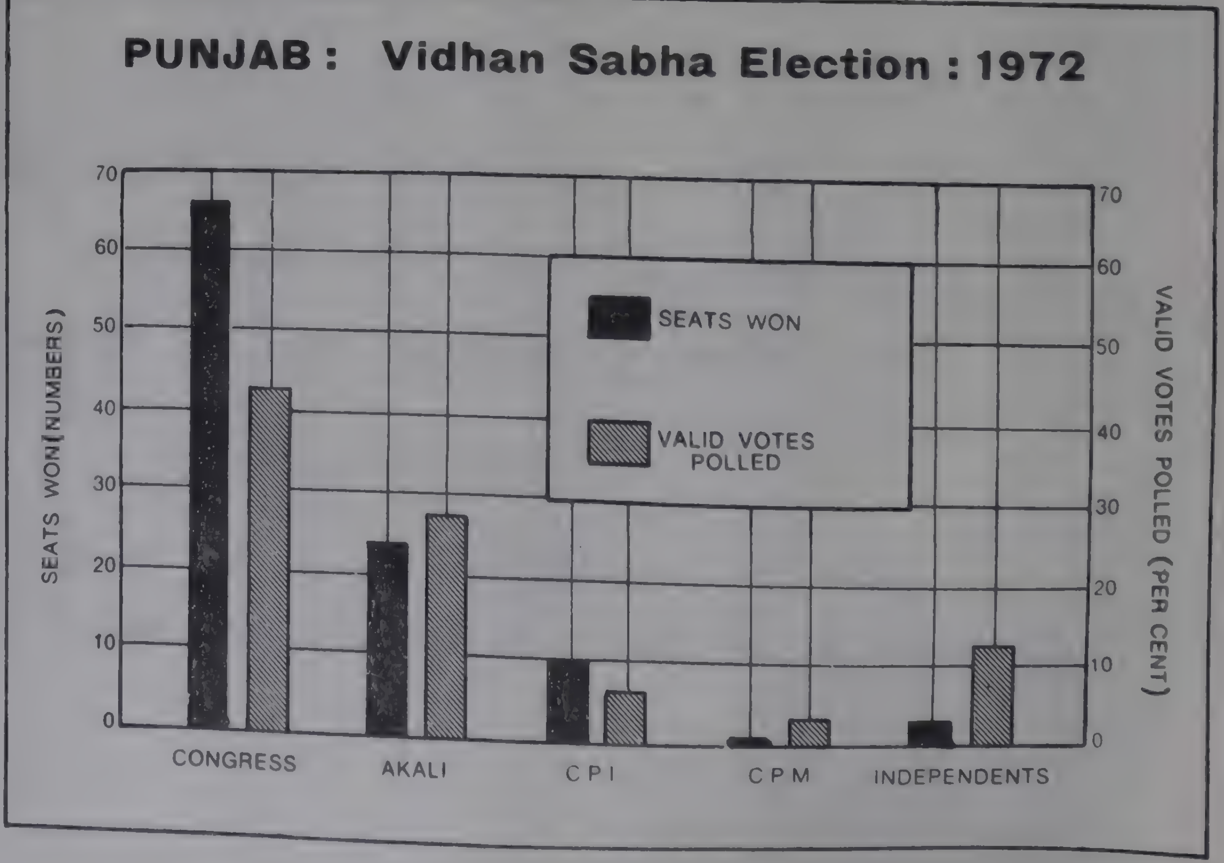
The statisticians have measured the progress of the state through its income per head which at more than Rs 1000 per annum today places it above every other state in the country. However, the implication of this is to be seen in the glowing faces and upright walk of the farm and factory worker in Punjab. By and large, the state is an agricultural one and its new-found prosperity is largely dependent on it. The replacement of the old wooden wheels of carts by pneumatic tyres and the mechanisation of farming are sure indicators of the prosperity of the farmer and his capacity to change with the times.

However, in the middle of September this year the vision of the farmer as well as the factory worker and the industrialist was clouded by the failure of rains which had hurt the kharif crop. There was great anxiety because power available in the state was found to be inadequate. What is more, the supplies of diesel oil had also been found insufficient. At every oil pump, the farmers had queued up to purchase diesel oil for running the pumpsets. Some of them had to wait for two to three days to get their canisters filled with diesel oil. The farmer was sad but was not dispirited. In one-fourth of the land under paddy, there seemed to be little chance of saving the crop.

The farmer in Punjab has taken to the use of agricultural inputs in a big way. He has learnt the use of improved varieties of seeds and also of chemical fertilisers and pesticides. Through his own savings he has also acquired the tubewell and the tractor.

At the 1972 general election for the Vidhan Sabha, Congress won 66 seats out of a total of 104, with Akalis trailing far behind with 24 seats and the Communist Party of India 10 seats only. The Communist Party (Marxist) got a single seat while there were three successful independent candidates out of 95 contestents. The parties which failed to bag any seat in the Vidhan Sabha were Jana Sangh, Swatantra, Congress (O), Socialist and Akali (G).

In percentage of votes polled, Congress led the rest with 42.84 per cent of the total. The Akali polled 27.64 per cent of the votes followed by 6.83 per cent by the Communist Party of India. After the Congress and Akalis, the largest number of votes were polled by the independent



candidates who were 95 in number and polled 12.72 per cent of the total votes polled. This decisive victory of the Congress party has without doubt brought stability to the state and for the first time during the last eight years, it has been possible for a well-entrenched state government to pursue both long-term and short-term policies in keeping with the directives from the central Congress party headed by the prime minister, Mrs Indira Gandhi. The 1972 election victory came in the wake of the Indira wave in Punjab but there are clear signs at present which show that due to economic difficulties, people are getting somewhat disillusioned with the Congress ministry.

A number of indicators point to the heavy dependence of this state on agriculture for its prosperity in recent years. The state income estimates for 1970-71 indicated that no less than 60.7 per cent of the income of the state originated in the primary sector, namely, agriculture, animal husbandry and forestry. The share of large and small-scale manufacturing industries was much lower at 10.3 per cent only. The income originating in trade, storage, hotels and restaurants was higher at 11.1 per cent of the total. Being a border state, there does not seem to be a high prospect of its expanding the industrial sector though the small-scale industrial units have sprung up in a number of places in the state.

Intensive cultivation

Out of the total area of the state at 5.03 million hectares, the net area sown was 4.08 million hectares in 1971-72 indicating that nearly 80 per cent of the area was being cultivated. The balance was not available for cultivation for a variety of reasons. The area which was sown more than once in a year was 1.65 million hectares. Thus, the total cropped area of the state was 5.72 million hectares.

The chief crop of the state is wheat which has recorded spectacular growth since Independence. Whereas the production of wheat in 1950-51 was a little more than a million tonnes, it rose to 5.62 million tonnes in 1971-72 and to 5.36 million tonnes in 1972-73. Rice is the next crop with output at a little less than a million tonnes in 1972-73 followed by maize at 0.90 million tonnes and bajra, gram and barley being produced in relatively small quantities. Among oilseeds groundnut production in 1972-73 was of the order of 152,000 tonnes while the production of mustard was 101,000 tonnes. Cotton was also one of the important cash crops in the state. Its output in 1950-51 was only 254,000 bales which rose to more than 1.02 million bales in 1972-73.

Increased productivity

Much of the prosperity of the state is the result of increased productivity of land. Whereas in 1950-51 average yield per hectare of wheat was 901 kg, it rose to 2,406 kg in 1971-72 and 2,233 kg. in 1972-73. Largely it was the result of improved agricultural practices adopted by farmers in this state and also because of the utilisation of improved varieties of seeds, fertilisers, pesticides and tractors. In the case of rice also, productivity has more than doubled. In 1950-51 the average yield of rice per hectare was 892 kg but it more than doubled itself in 1972-73 when it was 2007 kg per hectare. The output of maize in the state has multiplied almost seven times between 1950-51 and 1972-73 largely because of the improvement in productivity. Whereas in 1950-51 average yield per hectare of maize was 563 kg it was as high as 1610 kg in 1972-73. Similar improvement in the productivity of other cash crops such as cotton, potatoes, sugarcane and groundnut was also seen.

The income of the state from animal husbandry is around 15 per cent of the total. It means that one rupee out of seven earned by the state is through animal husbandry. This is largely because the livestock population of the state is sizeable. Latest comparable figures are available for 1956 and 1966 only. They show that the livestock population of the state was 7.2 million in 1956 which rose to 7.5 million in 1966. However, the state has devoted considerable attention to the setting up of veterinary institutions so that the livestock population is kept in the most hygienic conditions and are well looked after. For example, the number of veterinary hospitals in the state in 1966 were only 189 but their number rose to 259 in 1973. The number of cases treated in these institutions in 1972-73 was 1.6 million. The institutions performed such functions as vaccination, inoculation and castration.

Because of the liberal supply of milk in the state a number of cooperative milk societies have been set up and the state has encouraged the formation of a number of dairies both in the cooperative sector and the public sector so that the farmers may be able to obtain a fair price for milk.

The number of cooperative societies in Punjab dealing with milk supply was 366 in June 1966 but their number almost doubled to 642 by June, 1972. Similarly the membership of these cooperative milk supply societies rose from 8,000 in June 1966 to 14,000 in June, 1972. With the establishment of a number of dairies at such places as Amritsar, Bhatinda, Ludhiana, Chandigarh, the farmer is not only able to get a fair price for milk produced by him but he has been able to provide the urban population with milk at reasonable prices. There is at present a "white revolution" sweeping the state as against the "green revolution" which took roots earlier.

For rural prosperity, cooperatives in Punjab have played a dynamic role. Their network has been spreading at a fast rate in recent years. In June 1972, the cooperative societies (excluding the apex societies) numbered a little

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more than 23,000 while their membership exceeded two million persons. The share capital of these cooperatives exceeded Rs 50 crores while their own funds were of the order of Rs 84 crores. The working capital exceeded Rs 514 crores. The largest number was of cooperative primary, agricultural credit (services) societies and labour and construction cooperatives. There were a number of general cooperative banks as well as primary land mortgage banks. The number of farming societies has also been on the increase. The consumers as well as the wholesalers have also formed cooperative societies to facilitate business transactions.

The primary agricultural credit societies have done commendable work in recent years and according to Mr S. L. Kapoor, Registrar of Cooperatives, Punjab, the recovery rate of loans has been 60 and 65 per cent which is quite encouraging.

White revolution

As stated earlier, the speciality of cooperatives in Punjab is production of milk and milk products. In an exclusive interview to *Eastern Economist* Mr S. L. Kapoor said that during the last three years the state had devoted special attention to four districts namely, Jullundur, Kapurthala, Hoshiarpur and Sangrur. The milk plant in Hoshiarpur has already been constructed while similar plants in other three districts are in the process of coming up. Tenders for the Jullundur plant are currently being finalised. The Hoshiarpur plant is expected to go into production next year. The central objective of setting up these milk plants is to give a second means of living to the weaker sections of the rural population. It is the marginal farmer who is mainly associated with these milk projects. He gets loans from the cooperative banks to purchase cattle and is able to return it on the basis of his income. The milk collected by these cooperatives is passed on to the centres which again are run on cooperative basis. The milk is processed at the milk plants and is sold in the form of butter, ghee, milk etc. Currently milk is collected and sold to the dairy development plant in Chandigarh and Ludhiana. As soon as the four above mentioned plants go into production, all this milk will be used by them. Besides giving remunerative prices to rural suppliers of milk, these cooperatives also meet the increasing requirement of milk in urban areas.

Industrial scene

The number of industrial units in Punjab has shown a steady increase during the past seven to eight years. In March, 1966, the total number of units in the state was 19,621 and it rose to 32,629 in March, 1973. During the same period, the number of industrial workers increased from 109,018 to 176,635 a rise of more than 60 per cent.

The industrial units cover a wide variety, the major ones being agricultural implements and machine tools, cotton textiles, cycles, flour mills, fertilisers, engineering goods, sugar and woollen textiles. While the quality marking centres have been set up at Ludhiana, Jullundur, Batala, Malerkotla, Patiala, Amritsar, Nakodar and Hoshiarpur, a number of common facilities centres have also been set up at some of these places. Rural industrial development centres for leather, leather retanning and finishing etc. also have been set up at a number of places. Industrial development centres for light engineering, motor mechanic, carpentry and blacksmithy and pottery have been set up in some places. The state has set up industrial estates as well as industrial development colonies at places given in Table I.

It will be seen that Ludhiana and Jullundur top the list in regard to the number of sheds constructed in industrial estates and industrial development colonies. The government has also set up a number of industrial training centres for various special trades. Despite all these efforts, the share of industry in the total economy of the state is not large mostly because of the sensitiveness of its borders.

While the state government is keen to hasten the process of industrialisation, it has not so far taken such measures as would overcome the limitations arising out of its geographical situation. Apart from its proximity to a sensitive border, its industrial towns are far removed from the suppliers of raw materials as well as the consumers including the ports which are highly relevant in relation to exports. The cost of production works out to be on the higher side for industries located in Punjab and surely they need some incentive for the neutralisation of the enhanced cost if steady industrial development of the state is to be ensured. There are substantial possibilities of increasing exports from Punjab but the unduly long distances between the producers in Punjab and the harbours put an additional burden which tends to dampen the export effort.

TABLE I

Industrial Estates/Industrial Development Colonies/Areas

Urban Industrial Estates	Ludhiana	(223)	Batala	(50)
	Malerkotla	(30)	Bhatinda	(20)
	Patiala	(20)	Amritsar	(50)
	Jullundur	(40)	Hoshiarpur	(20)
	Gurdaspur	(10)	Ferozepore	(18)
	Rajpura	(20)		
Rural Industrial Estates	Oralon	(12)	Banur	(11)
	Sarai Naga	(5)	Rurka Kalan	(11)
	Panjgrain	(8)	Hariana	(9)
	Nakodar	(12)	Talwandi Chaudarian	(9)
	Dhudike	(9)	Fatehgarh Churian	(8)
	Kathunangal	(8)	Ramgarh Sardaran	(8)
	Sunam	(8)	Morinda	(8)
	Adampur	(8)	Dhariwal	(8)
	Ghuman	(8)	Dasuya	(8)
			Lauka	(8)
Industrial Development Colonies	Amritsar	(49)	Ferozepore	(29)
	Hoshiarpur	(53)	Jullundur	(96)
	Mohali	(156)	Dhandarikalan	(131)
	Rajpura	(71)		
Industrial Areas	Jullundur	(389)	Phagwara	(64)
	Patiala	(28)	Ludhiana A &D	(1014)

Note: Figures in brackets indicate No. of sheds constructed in industrial estates and colonies and plots planned in industrial areas.

TABLE II

State-Wise Per Capita Income

(Comparable estimates of average per capita state domestic product at state prices for the years 1967-68, 1968-69 and 1969-70.)

State	Average per capita SDP at state prices for 1967-70 (Rs)
1. Andhra Pradesh	537
2. Assam*	581
3. Bihar	409
4. Gujarat	667
5. Haryana	810
6. Himachal Pradesh	585
7. Jammu & Kashmir	426
8. Kerala	555
9. Madhya Pradesh	458
10. Maharashtra	686
11. Manipur	458
12. Mysore (Karnataka)	552
13. Nagaland	420
14. Orissa	488
15. **Punjab**	**940**
16. Rajasthan	455
17. Tamil Nadu	558
18. Tripura	532
19. Uttar Pradesh	480
20. West Bengal	667
All States	551

* Includes Meghalaya

Source: Central Statistical Organisation.

Punjab, the Gemini

P. L. TANDON

F PUNJAB had a racial horoscope its sign would be of the Gemini. It is a state that like ts people is split and dual—a win personality, cruel and gentle, passionate and lethargic, handsome and untidy but always fascinating, though sometimes frightening.

The country like its people has its varying moods—quivering under the blazing heat of summer, when temperature in the day may hit one hundred and twenty-five in the sun, and in the winter dip down to the twenties. Endless days of still, dry searing heat, when not a leaf moves and the only movement is an occasional squall of whirlwind carrying dry leaves and dust upward in spirals; broken with dramatic suddenness by seething, billowing, white-edged clouds approaching like the angry crowd of villagers on horses, with axes and spears, galloping across the fields, bent on seeking revenge for some insult real or imaginary. The earth would then be beaten by lashing rain as the sky is rent by long shafts of lightning as they madly race across the black sky.

Resilient people

The people, like the country, have their contradicting moods, and a resilience taught by every invasion when like supple trees before a storm they have learned to bend and rise again when the invaders passed on to the prize of Delhi and the Hindustan beyond. Punjab was just a no-man's land, lightly held by the Afghans of Kabul or the Moghuls of Delhi; and its people had learned to externally look like its rulers but keep their faith and custom inside their home, hearth and heart.

Such a country and people after a century of rule that unified it into one modern state had to split; and if as it was not enough that the departing rulers, who loved it most as their youngest and most vigorous child born the last, left it split between the Muslim and the Hindu; we proceeded soon afterwards to split it again between Hindu and Sikh, Hindu and Hindu. Of the thirty-two districts we received only nine and these we split into three, without any logic or compulsion, economic or ethnic.

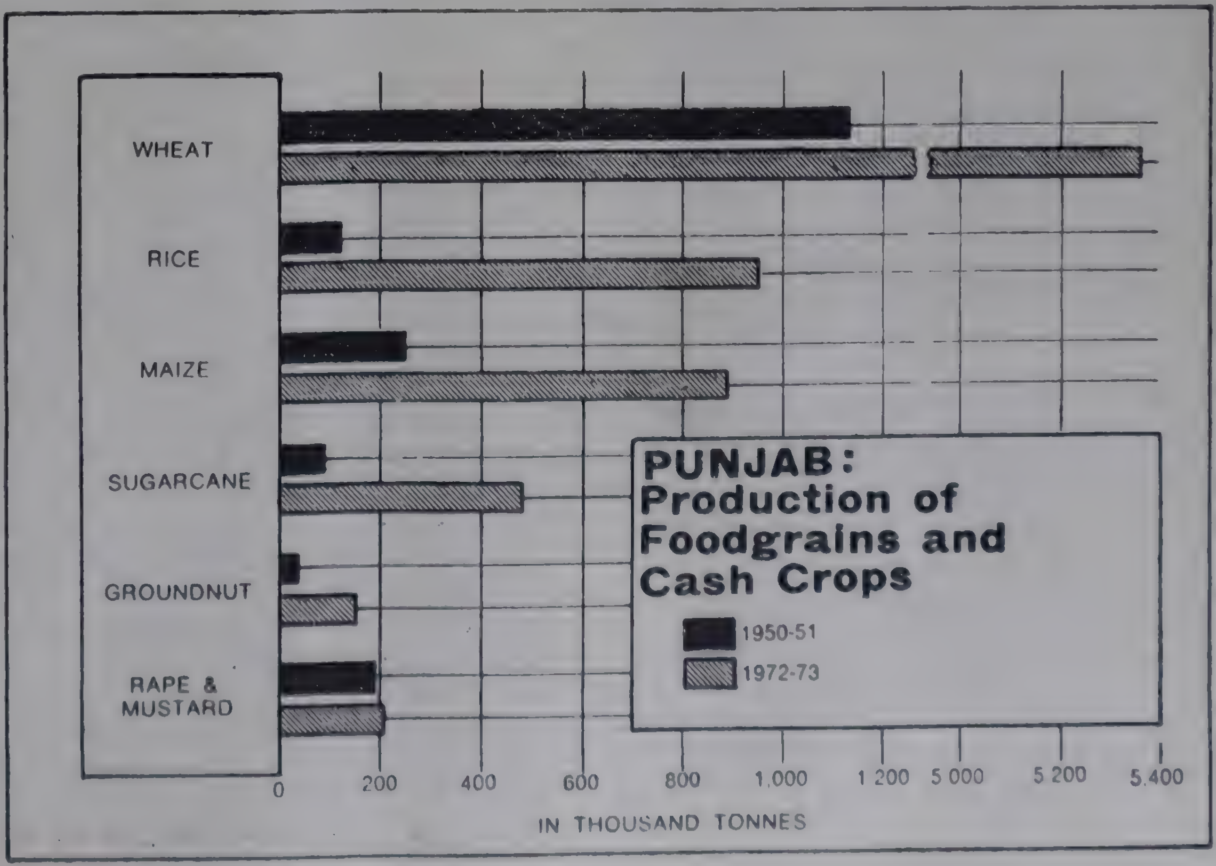
Out of this land of five rivers was born the new Punjab of two rivers, with a third following barely for a few miles through it. It was not even the original heartland, because we had lost almost half of that too. The original heartland was the four flat valleys between Sutlej and Beas, Beas and Ravi, Ravi and Chenab, and Chenab and Jhelum. But even without the trans-Ravi areas Punjab it is and will remain, until another partition or coalition takes place. History is prepared to expect anything to happen to these virile contradictory people; but Punjab it is today of one language, though two people; of common origin at least even though they may believe themselves separate.

The new Punjab has all its old vitality; and something more. It has also learned the alien phenomenon of a political system of democratic, parliamentary style to which it applies all its old vigour and contrariness.

Moving spirit

In twenty-five years its politics has certainly not stood still; it has had changes of government as sudden and dramatic as its changes of weather. Leaders come and go with a passionate and forceful repetitiveness and time certainly does not hang still or dull. There has been a Ranjit Singh, a seeming swami, a couple of modern small town pleaders of the kind that sprang in every district town with the advent of the British, a well meaning judge, an Attariwala kind of Sardar of Ranjit Singh's time, and an earthy towering, soft-spoken village Sikh, of common sense and with a knack of using Punjabi language that could stem only from a scholarship in English that at least seemingly he does not possess or perhaps suppresses. But like in France once, in Punjab now, leaders come and go but its people, ably supported by its services, continue to progress on the road to growth and development, sometimes because of its leadership, when it is good, and despite the leadership, when it fails. Under any system, democracy, autocracy, or plain dictatorship, Punjab will always flourish because it is a split people. They can split themselves and render unto wherever is Caesor's that which may or may not belong to him, but make sure to keep to themselves what a shrewd people will regard as their right and from the sweat of their brow.

But even for Punjab times are changing, and fast, and we must make sure to reverse a process that set in fifty years ago, when the vigorous or the dissenters began to leave and went to China, California, Kenya and Coventry. If we don't get our talent from outside back, at least our new talent inside should stay because even that is still leaving us as fast as before. The numbers of managers, administrators, scientists and teachers, industrialists and businessmen —politicians we never exported —outside the Punjab are far more than within the Punjab.



Mr P.L. Tandon is chairman of Punjab National Bank and author of such best-sellers on Punjab as *Punjabi Century* and *Beyond Punjab*.

Punjab deserves more of those that it has spawned. Fortunately, our farming stock, that also began to leave after partition for the Terai and elsewhere, was still there in enough strength when the green revolution came. I do not think the rest of India really understands that given in full, ungrudged and unmeasured quantities, the inputs that Punjab needs, we could keep India well fed with wheat, rice, milk, eggs, poultry and potatoes. In fact, the rest of India might even consider accepting an injection of farming stock into its veins that could be enriched with agricultural, horticultural and dairying stock of Punjab as a catalyst.

But that is not our concern—to impose ourselves on others. My concern, as someone who was born in a Punjabi century of renaissance, has lived beyond Punjab for nearly half a century, and has now returned to Punjab is to suggest that the new Punjab revitalises and regenerates by itself with its own stock that left through necessity but should return through choice.

Punjab should therefore plan for itself, in its own style and for its own needs, a new kind of society, that while remaining India's "sword arm" that fought two wars and a massacre in two decades, now to build an updated Punjabi culture, industry and agriculture. In this our present political leadership has a role to play. It has the talent and strength to play it.

Industrially, we need to build not polyester plants but to encourage, at least for the next many years, industry that is a direct input into agriculture—trucks, tractors, scooters, power, fertiliser, pesticides, forge, foundry, tools and implements—everything that strengthens the sinews of agriculture. At the output end of agriculture, we need plants that will process and add value to what we sell at controlled, throw-away prices in return for non-controlled price-inflated goods; plants that will process maize into starch and cattlefeeds; wheat into bread and biscuits; dehydrate, can and freeze-dry vegetables, fruits, meat, and turn milk into powder, cream and ghee. And, of course, make barley into beer—that "new river of the Punjab".

Agriculturally, we have now the scientific skills that can breed new varieties of all foodgrains, wheat, rice, maize and millets, and there are scientists who have the advantage of coming from the soi and are still close to it. W can, I reiterate, by breakin our dependence upon "allotments" and making our input ourselves, easily bridge India' chronic nutritional gap.

I would urge our Punjab leadership to indulge in som new thinking and strike ou in some new directions. The are capable because they ar of a vigorous kind. Punja will continue to grow despit them but with them it coul grow into a new phenomeno of India. Though I do hop too that in the process, if it i successful, Punjab will not los its loveable characteristics, bu its people will stay a Gemini that they will somehow manag to stay a competent but contrary people; a people at thei best in a crisis. We should put them on a crisis footing now.

Power crisis—reasons and remedies

GURBUX SINGH SIBIA

OUR COUNTRY has been in the grip of power famine for the last three years. There is acute power scarcity in almost all the states, both in the north and the south. Agriculture and industry which are the vital sectors of the economy have been badly hit. As a consequence there has been considerable fall in industrial as well as agricultural output.

Punjab is currently passing through a period of the severest power famine on record. There is 60 per cent cut on power supply to industries and almost 40 per cent cut on power supply to tubewells and other activities connected with agriculture.

The total power generation in Punjab from all sources at present is approximately of the order of 5.60 million units per day. This power has to be shared for domestic, industrial and agricultural purposes. Although efforts are being made to increase power generation but even if Bhatinda thermal station is commissioned, the gap between generation and demand is bound to remain unbridged since Bhatinda plant, even if commissioned, will not be out of the wood for another four to six months.

In retrospect it can safely be said that although the country has been passing through the worst ever power famine in its history, no serious attempt has been made to go into its causes. It is surprising that although the power famine has been experienced for over three years, final decisions have still not been taken as to what should be done about it. Admittedly the state governments have much to answer for but even at the centre there has been considerable delay in the clearance of various power projects. Evidently there has been a failure to anticipate the nation-wide crisis which partly explains the present helplessness of the governments, both in the states and at the centre. It should not have been difficult to foresee that the prolonged drought would severely reduce hydroelectric generation. However, concrete steps were not taken to regulate the generation of power on the basis of limited water resources or to restrict non-essential consumption. In any case the drought explains only a part of the overall shortfall in power output.

The performance of many thermal stations has steadily deteriorated. The measures which could have prevented it, should have been encouraged if not enforced. It is apparent that no comprehensive plan to cope with the emerging crisis was framed. Towards the end of February 1973, Dr K.L. Rao, the then union minister for Irrigation & Power, told Parliament that the problem would be solved by "integrated approach" to remove the bottlenecks and he drew up a six-point plan in this connection. The situation has, however, deteriorated further.

The functioning of the Indraprasatha. Thermal Station at Delhi has not been satisfactory since it was put on stream in 1968. The first unit was installed by a Japanese firm and i gave trouble. Units 2, 3 and 4 installed by an American firm became inoperative when thei blades got damaged; the Fifth unit, an indigenous fabrication is also not trouble-free an it starts vibrating when i generates 35 MW powe although installed capacity i 62.5 MW. If the Indraprasatha thermal power station ha started producing power equivalent to its installed capacity it would have been simpl enough for Delhi to spare th Bhakra power for agricultura purposes both in Punjab an Haryana. Unfortunately this i not so and the precious Bhakra power, which was sold t Delhi under an agreement a a time when Punjab had no visualised its requirements continued to be used in the capital for purposes which are not even remotely connecte with agriculture.

Like the Indraprasatha thermal station at Delhi, the Badarpur thermal station, the construction of which was started in 1964, is still not in operation. Sometime back it

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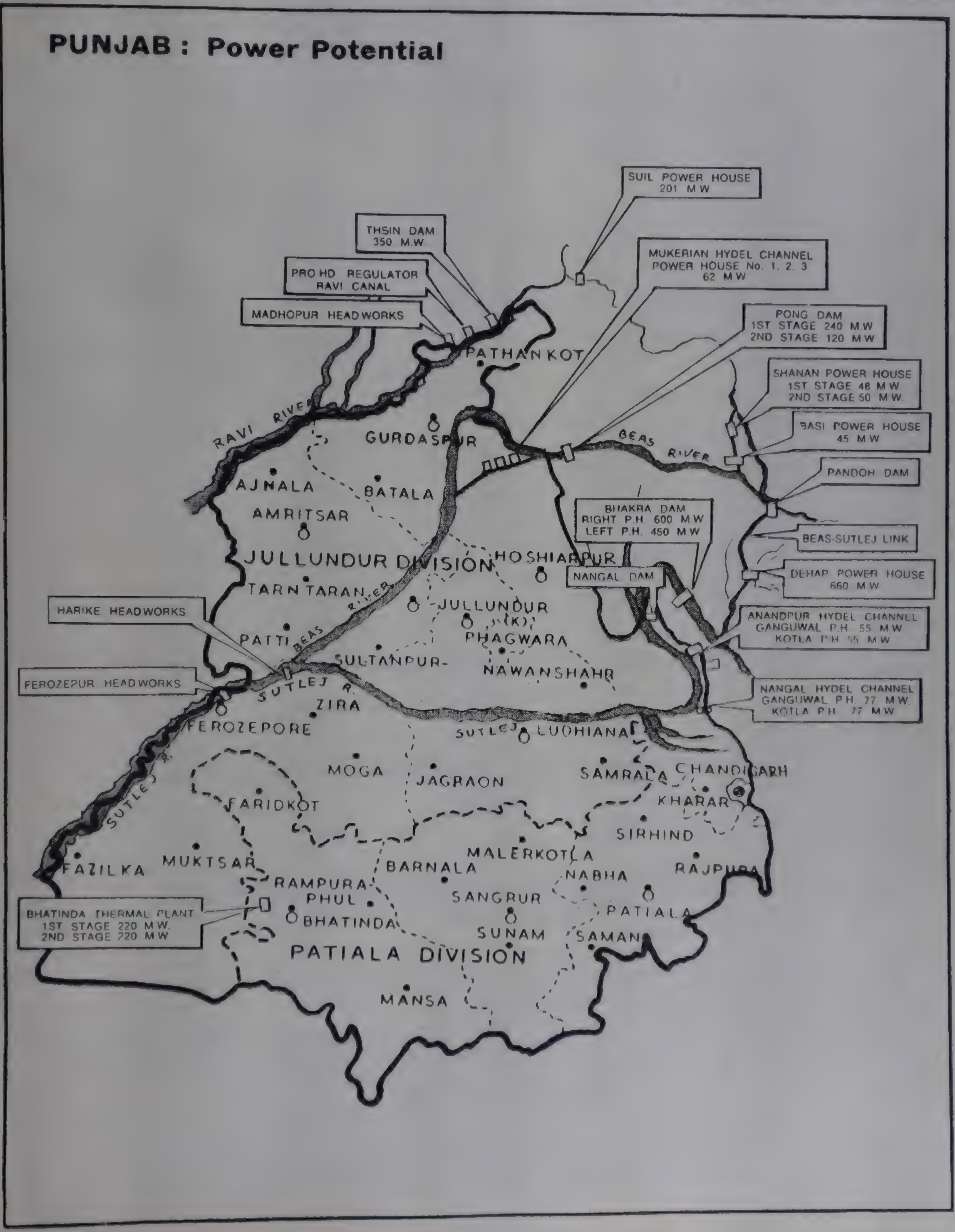
Mr Gurbux Singh Sibia is the minister for Irrigation and Power in Punjab.

as stated that this project ould start supplying power in 971. However, according to e reports available the trial ns which started generation of power in September 1973, are still going on and the power supplied from this prestigious thermal station has not only been erratic but the station has remained closed for days on end. Punjab was due to get 20 MW of power from this unit in the first stage but unfortunately although the erratic generation from this unit has been of the order of 1.8 million units per day, Punjab has not been able to get even 0.30 million units


PUNJAB : Power Potential

SUIL POWER HOUSE 201 M.W
THSIN DAM 350 M.W.
PRO HD REGULATOR RAVI CANAL
MADHOPUR HEAD WORKS
MUKERIAN HYDEL CHANNEL POWER HOUSE No. 1, 2, 3 62 M.W
PONG DAM 1ST STAGE 240 M.W 2ND STAGE 120 M.W
SHANAN POWER HOUSE 1ST STAGE 48 M.W 2ND STAGE 50 M.W.
BASI POWER HOUSE 45 M.W
PANDOH DAM
BHAKRA DAM RIGHT P.H. 600 M.W LEFT P.H. 450 M.W
BEAS-SUTLEJ LINK
NANGAL DAM
DEHAR POWER HOUSE 660 M.W
ANANDPUR HYDEL CHANNEL GANGUWAL P.H. 55 M.W KOTLA P.H. 55 M.W
NANGAL HYDEL CHANNEL GANGUWAL P.H. 77 M.W. KOTLA P.H. 77 M.W
HARIKE HEADWORKS
FEROZEPUR HEADWORKS
BHATINDA THERMAL PLANT 1ST STAGE 220 M.W. 2ND STAGE 220 M.W
PATHANKOT
RAVI RIVER
GURDASPUR
BEAS RIVER
AJNALA
BATALA
AMRITSAR
JULLUNDUR DIVISION
HOSHIARPUR
TARN TARAN
BEAS RIVER
JULLUNDUR
JULLUNDUR (K)
PATTI
PHAGWARA
SULTANPUR
NAWANSHAHR
SUTLEJ R.
ZIRA
FEROZEPORE
SUTLEJ
LUDHIANA
MOGA
JAGRAON
SAMRALA
CHANDIGARH
KHARAR
FARIDKOT
SUTLEJ R.
SIRHIND
FAZILKA
MUKTSAR
MALERKOTLA
BARNALA
NABHA
RAJPURA
RAMPURA-PHUL
SANGRUR
PATIALA
BHATINDA
SUNAM
SAMANA
PATIALA DIVISION
MANSA

allotted to it by the government of India. This is due to the fact that the thermal station has not been functioning as it should have been.

The quality of a conventional plant built in India has always been unsatisfactory and the performance is also inadequate in terms of quantity. The only unconventional source which can be considered is nuclear energy. But in this field also after a promising start the nuclear power plant has received a setback by a variety of uncertainties. The Rajasthan power plant has still not come out of its teething troubles. In the immediate future, therefore, emphasis will have to be on conventional power generation. Simultaneously, with plans for expansion, there is an urgent need to improve the performance of existing plants. There is scope for more efficient production and for reducing losses, particularly in transmission. The most important of all, however, is better maintenance and timely repairs, failures in which have been a chronic cause of breakdown.

No early relief

It has been generally admitted that there is no chance of early improvement in power supply and it is being said that overall shortage may remain longer than forecast even now. The fourth Plan envisaged increase from 14.3 million kilowatts to 23 million kilowatts, but the figures that are now available indicate that the achievement had not exceeded 18 million kilowatts by 1973-74. Even the Planning Commission does not seem confident that the capacity can be increased to 40 million kilowatts by the end of the fifth Plan. However, whatever the targets finally set, it is necessary that the relevant projects be decided upon without any further delay. It may take more than five years to complete a large power project. If manufacturing orders were to be placed in time, the decision regarding erection capacity, design and other features should have been taken much earlier. There is no evidence that the exercise has begun even now.

According to expectations and the plans in hand, the generation capacity during the fifth Plan period is likely to be increased as indicated in Table I below. This is, of course, subject to the condition that the various generation schemes are started and completed according to the schedule.

Out of the total expected generation of power Punjab's share will be approximately 1100 MW. According to a load survey carried out by the Punjab State Electricity Board the demand and availability during the various years will be as given in Table II.

Power gap

While computing figures given in this table the expected generation as indicated in Table I has been taken into account. It is apparent that even at the end of the fifth Plan theoretically the gap between demand and generation will be of the order of 148 MW. It can be argued that this gap is a very small gap and should not, therefore, cause any concern to planners. However, as already indicated the various schemes mentioned in Table I are not likely to be completed by the end of the fifth Plan. The Beas Project Unit No. 1, which was supposed to be complete by 1976, has already been delayed by two years as is apparent from the various press reports. The Beas Project Unit No. II, stage I, which is anticipated to be completed by 1977-78, is still in the blueprint stage. Guru Nanak thermal plant at Bhatinda was commissioned in September 1974, but steady generation from the same is not likely to be on stream by the middle of 1975. Work on Shanam Extension, Anandpur Hydel Scheme, Mukerian Hydel Project and UBDC Hydel Project Stage II is still in the project formation stage. These projects have still not been cleared finally and work is still to start thereon. With the steady rise in price the costs of these projects are likely to increase manifold and with the resources not being sufficient, these projects cannot be brought to completion by the end of the fifth Plan. The Suil and Salal projects, on which work was started many years back, are reported to be far behind schedule, and it does not seem feasible that these will be completed by the end of the fifth Plan.

The gap between generation and demand by the end of the fifth Plan will, therefore, be very wide, unless drastic steps are taken to complete the short term projects which, subject to th availability of requisite fund and subject to the availabilit of turbines from Bharat Heav Electricals, can be complete in a short time. These scheme are:

1. Shanam Extension.
2. Anandpur Hydel Project.
3. Mukerian Hydel Project.
4. UBDC Hydel Stage II

These power projects in themselves can generate 267 MW o power which can give considerable relief to Punjab. These pro

TABLE I

Generation Capacity During Fifth Plan

Sr. No.	Name of Project	Expected date of commissioning	Installed capacity in MW
1.	B. P. Unit-I	75-76 / 76-77	4×165=660
2.	B. P. Unit-II	76-77 / 77-78	4×60=240
3.	GNTP	74-75 / 75-76	2×110=220
4.	GNT Extension	76-77 / 77-78	2×110=220
5.	Shanam Extension	78-79	1×50=50
6.	Anandpur Hydel	78-79 / 79-80	4×27.5=110
7.	Mukerian Hydel	78-79 / 79-80	3×15=45 1×17=17
8.	UBDC Stage II	78-79 / 79-80	3×15=45
9.	Suil	77-78	3×67=201
10.	Salal	78-79 / 79-80	3×115=345
11.	BP Unit II Stage II	78-79 / 79-80	2×60=120

TABLE II

Demand and Availability of Power 1974-79

Year	Maximum demand (MW)	Power available (MW)
1974-75	800	476
1975-76	920	604
1976-77	1058	768
1977-78	1217	1145
1978-79	1400	1252

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jects can be completed quickly provided they are given high priority and are cleared expeditiously and work on them is allowed to be commenced.

The time has come when it is absolutely essential to give the highest priority to short-term projects which may give immediate relief rather than the long-term projects which may take years to complete, and by which time price escalation may make them economically non-viable.

Increased production which is closely linked with enhanced power generation, is an inescapable necessity for us if we are to survive as a self-respecting nation and convert the slogan of 'garibi hatao' into a reality. Although much has been done but much more still remains to be done and it is, therefore, necessary that the power generation projects should be given the highest priority besides revitalising and reorganising the electricity boards which are the fountain-heads for the execution of power projects in the country.

Industry minus power equals dismay

R. L. TOSHNIWAL

AT PRESENT, the foremost problem facing industrial units in Punjab is shortage of power. Unless the supply of power is adequately increased, there is little prospect of this state making any significant progress in the sphere of industry.

Both agriculture and industry depend on power. The importance of agriculture in Indian economy cannot be denied and it should be accorded top priority, but the industry in Punjab which is progressing despite all the odds is being denied its proper share. No mineral wealth, no big plants, but still the per capita income in Punjab is the highest. The entrepreneurial spirit of Punjab is being curbed by denying the industry its legitimate share in power.

Acute shortage

When there is acute shortage of power a proper balance has to be maintained between agriculture and industry because they are two wheels of a carrier on which the economy runs. Both wheels have to be run at the same pace so that economy is not disrupted at any time. To think of running the economy only on one wheel is fraught with dangers.

New connections have been issued to power-based industries such as mini-steel plants when there is awareness that the present power supply is not sufficient even to feed the established installed capacity. There does not seem to be any logic for issuing any new licence. It is criminal waste of resources available to the nation.

If there is any justification for a cut in the supply of power up to 75 per cent, I do not know how the government of Punjab as well as the government of India propose to cover this gap. Is another Bhakra coming up? What steps are being taken to cover the present gap and also to provide for future expansion in agriculture and industry? It seems that the state will be threatened with power shortage perpetually, unless something is done immediately on a war footing.

The demand for power for agriculture also is a continuous one. Currently, power is needed for irrigating the paddy crop. When it is harvested, then ground will have to be prepared for the rabi crop. The wheat crop in the rabi season will also need water. To come to the conclusion that the supply of power could be alternated between industry and agriculture is a misconception because agriculture and industry will need power supply simultaneously.

Captive plants

In the short run, this problem can be tackled by allowing the establishment of captive plants. In the case of big textile units, this is a must. Small thermal plants will be fruitful in the case of textile units.

The problem of shortage of diesel perhaps is beyond the capacity of this country to solve. Therefore, it will be in the national interest to initiate the setting up of thermal plants. The centre or the state should make funds available for this. These funds should be returnable within 7 to 8 years. For the supply of power to a large number of small units, a co-operative thermal plant will be of great assistance. These thermal plants can be set up speedily provided this work is entrusted to the private sector. To set up an additional plant of the size of the Bhatinda Thermal Plant will not only involve extensive expenditure but will also take a lot of time. The thermal plants which will suit the industries in Punjab are of small size with 1000 to 2000 KW power.

Crash programme

These plants should be spread over a large area so that the problem of transport of coal does not assume alarming proportions. Provisions should be made to set up these plants during the next 10 to 15 years during which period the smaller units will have fully depreciated. The industry does not have the capacity to setup plants of 2000 KW. Financial assistance will be needed and the government should come forward liberally in this regard.

There is no doubt that given the option, no industrialist will like to come over to Punjab and set up industrial units because of the perpetual power shortage. The only feasible solution of this problem is to encourage the establishment of small thermal captive plants in order to tide over the short-term power scarcity. The prime minister and the Irrigation minister at the centre should accord the highest priority to the setting up of power plants. For setting up small power plants, the government will have to issue licences for the import of turbines. It will certainly mean expenditure in terms of foreign exchange but it will also bring about a saving through reduced imports of petroleum. Expenditure of about Rs 400 to 500 crores at this time will save considerable loss in production.

Cheap labour

Punjab has been lucky in this respect that its sturdy labour is not as costly as in some of the other states. It is true that per capita income in Punjab is the highest yet the wages of labour in this state are not the highest. Industrial labour here comes from rural areas; they work partly on the farm and partly in the factories. They are satisfied with the low wages because they tend to supplement their agricultural income. The industrial wages in Punjab are low as compared to other states. Looking at the prevalent industrial wages, this is a plus point for the establishment of new industries in the state. Moreover, industrial relations in Punjab are not too bad. By and large, the bilateral relations between employers and the employees are on a healthy level. The OCM unit with 2000 workers at present is running without a labour union. The workers committee and the management sit together to sort out all their industrial problems.

Why labour in Punjab takes a responsible posture is that the food problem is less acute in relation to other states.

Mr R. L. Toshniwal is the chief executive, the Oriental Carpet Manufacturers Private Ltd., Amritsar.

ven at the prevailing wages, e consumption standard is r better than that of workers other states. However, for dustrial labour which has o agricultural support, the imes are very hard. Till last ear, wheat was available at s 100 a quintal. Within six onths, the price of wheat as jumped to Rs 250 a quintal. This certainly causes a lot of istress. The OCM has evolv d a system of providing assisance to its employees. The anteen here is subsidised by he management. Here, bread s being supplied for 5 Paise ach, meals i.e. lunch for 25 aise; a cup of tea costs here not more than 5 paise. This causes a loss to OCM of Rs 30,000 to 40,000 a month but the management thought it was worth it. This assisted people here who lived on the margin as they were free to take their lunch as well as dinner at 25 paise each.

However, under the new ordinance whatever increase in dearness allowance is allowed, cannot be passed on to the worker in cash. Half of it will have to be deposited in his account. This is likely to create hardships for the low-paid workers and might lead to some industrial unrest in Punjab. I believe that in the case of low-waged worker, there is no justification for impounding 50 per cent of the increment in dearness allowance. If this ordinance was made applicable in the case of those who earn more than Rs 500 a month, there was some justification.

During the past two years I have been associated with OCM, the unit has not only progressed, it has been a fruitful association for myself as well. It threw up challenges which I met through increased production. Its total production used to be worth Rs 3.8 crores and I propose to take it up to Rs 11 crores this year.

I know difficulties will continue cropping up but we will be able to face them. Our country has seen the emergence of a new entrepreneurs' class in recent years. The trader of yesterday is the entrepreneur of today. He is inclined to do something new. It is this spirit which is likely to open up new gates for expansion in the coming years. Surely it will be necessary to overcome the current bottlenecks but then there is no cause for any undue dismay.

Irrigation network in Punjab

BALRAM JHAKKAR

PUNJAB HAS a predominantly agricultural economy. About 75 per cent of the population depends on land. The population is also increasing rapidly. It is, therefore, vital that agricultural output in foodgrains is stepped up to meet the ever-increasing requirements. This can only be achieved by intensive cultivation of land which cannot be adequately attained without assured supplies of water. Irrigation, therefore, continues to be the prime necessity for sustaining the economy of this border state.

The less expensive and more profitable irrigation schemes were implemented in the early stages during the past 100 years. The task of development and utilisation of water resources on a planned scale began only after the country achieved independence.

Phenomenal progress

Punjab, the one-time granary of India, was a deficit state in 1947 when a major part of it became a wing of Pakistan. Due to various political and socio-economic reasons, the major development of irrigation had been undertaken by the Britishers mainly in West Punjab the portion which is now a part of Pakistan. The truncated and dismembered East Punjab had only four dilapidated canal systems which depended on such headworks as were primitive in design and could not be considered efficient enough to enable diversion of supplies to canals up to the extent necessary. The headworks at Madhopur and Ropar were open- weirs and there was, thus, little or virtually no control over the vagaries of the rivers Ravi and Beas.

Migration problem

The problems that were created by the large scale migration of population became manifold when it was found that large areas of land were devoid of irrigation facilities and, thus, people who had migrated from rich and fertile lands in the canal areas of West Punjab, could not be expected to remain satisfied and content with their lot for long under such conditions. Something, therefore, had to be done and that also quickly if the sufferings and misery of a vast section of humanity had to be removed.

In the years immediately following the partition of the country, a network of new canals known as the Bhakra canals was constructed. The existing headworks at Ropar was converted into a barrage. A new barrage was constructed at Harike to replace the vulnerable headworks at Ferozepur. A link known as Sirhind Feeder taking off from Harike was constructed. In the Bari Doab Tract, the headworks at Madhopur was converted into a barrage, and a link known as the Madhopur Beas Link, for transferring the Ravi waters to Beas, was simultaneously complected.

Dream to reality

After great persuasion the government sanctioned the Bhakra Dam project and the work on this gigantic project was pushed with great speed and vigour. The task of converting a dream into reality and the blue-prints into blue lakes was accomplished in 1962-63. The construction of Bhakra Dam and the acceptance of the scheme as such by the government brought to the forefront the basic realisation that creation of waters and consequent creation of irrigation potential by storage was a must if the ideal of a welfare state was to be achieved.

The work on the Beas Project both Unit No. 1 and 2 was taken up in 1960. This project comprises two units called Beas Project Unit No. 1 and Beas Project Unit No. 2. The Beas Project Unit No. 1 envisages the diversion of Beas waters through 16 miles long tunnels discharging into the Gobind Sagar reservoir fed from the river Sutlej. During the diversion the water available due to the topography of the country will be used for generating 660 MW of power by constructing a power house at Dhahar in Himachal Pradesh. The Beas Project Unit No. 2 envisages construction of a dam at Pong, providing a total storage of 5.3 MAF of water and simultaneously generating a total energy of 900 MW of power in stages I & II.

Reorganised state

The state was reorganised on November 1, 1966, and the present state of Punjab was created. The total area of the reorganised state is 12.42 million acres out of which the culturable area which ean be brought under command of both canals and tubewells is 11.06 million acres. The area under irrigation in 1947 belonging to the reorganised state was 2.8 million acres. At the end of 1967, this was raised 5.025 million acres. The area being irrigated from canals and tubewells as at present is 5.6 million acres. Thus the irrigation intensity

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being achieved is only 51 per cent.

Such a low percentage of intensity of irrigation is due to insufficient quantity of river waters available to Punjab. The total water being utilised at present in Punjab is of the order of 11.931 MAF. The additional requirements of water to attain the pattern of Bhakra-Nangal project area which envisages a water allowance of 3.5 Cs, per thousand acres and an intensity of 62 per cent works out to 5.700 MAF. The total requirement of water to attain the pattern of Bhakra Nangal area thus works out to be 16.929 MAF which would give an intensity of 62 per cent. In case, however, the state wants to increase production, it would be absolutely necessary to increase the intensity to 100 per cent in which case the requirement of water would work out to be 25.361 MAF.

The total water of Sutlej, Beas and Ravi which would become available after the storage of these river waters is completed will be as below:

1. River Sutlej ..	12.81 MAF
2. River Beas ..	12.65 MAF
3. River Ravi ..	6.33 MAF
	31.79 MAF

Unfortunately, a major part of the water of all the three rivers has already been allocated to Rajasthan and Haryana. According to the present allocations, Punjab is entitled to 16.62 MAF of water but even out of it Haryana is claiming an additional share. It would be apparent that even if the entire waters are utilised in Punjab, it would still not be possible to attain an intensity of 62 per cent for all the areas in the state and it will also not be out of place to mention that even this quantity will be available only after Thein Dam is completed and the storage on river Ravi starts. Till then, even this intensity cannot be achieved.

It is gratifying to note that storage on the river Beas had already started. This will provide rabi irrigation to an additional area of approximately 300,000 acres which was previously being fed only from non-perennial sources. This area is located along the borders of Pakistan and it is the responsibility of the government to ensure that this area is developed as quickly as possible.

The interest of Punjab demands that the construction of Thein Dam on river Ravi should be taken up immediately so that its waters are harnessed to meet the growing and immediate demands of water in the state. It is indeed paradoxical that for various reasons this project has not received clearance either technically or otherwise, although Ravi waters stand withdrawn from Pakistan as from March, 1970.

As is well-known, India has secured the total rights over the waters of Sutlej, Beas and Ravi by paying a compensation of nearly Rs 100 crores in foreign exchange to Pakistan and it is, therefore, in the national interest that not a single drop of water of river Ravi should have been given to Pakistan after the end of the treaty in March, 1970. However, the fact remains that this important project has not yet started and keeping in view its gigantic magnitude, it will not be possible to complete it in less than 8-9 years. Till such time, therefore, as the waters of river Ravi can be stored, Punjab will continue to suffer due to its inability to fully utilise the Ravi waters which can become available only after storage facility is completed.

Punjab's entire economy is linked up with its irrigation system and the canal network. In spite of the fact that the people of Punjab had to face two attacks from Pakistan, one in 1965 and the other in 1971, they have not allowed their economy to be shattered. Today, the per capita income in the state is the highest in

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the country. While this may be due in some measure to the extensive irrigation programmes taken up in the state, but the major contribution in the building up of this economy is that of the Punjab peasant who is known for his hard work. Punjab's contribution to the central foodgrains pool has been the highest in the country. In 1970-71, Punjab's contribution was approximately. 3.002 million tonnes to the central pool. In 1971-72 and 1972-73, Punjab's share in the central pool was 4.181 million and 4.361 million tonnes respectively. In 1973-74, the contribution was 4.179 million tonnes. The effort of every Punjabi is to maintain Punjab's reputation as the 'bread basket' of India. In spite of the shortages of fertilisers, diesel and other important inputs, Punjab is struggling to attain its food target.

Punjab state tubewell corporation

M. M. ANAND

IRRIGATION HAS been the mainstay of Punjab's economy, prosperity and development. The gross area of the state is 12.42 million acres out of which the culturable commanded area (CCA) is only 11.0 million acres.

It was anticipated that by the end of the fourth Plan, i.e. in 1973-74, an area equivalent to 5.6 million acres would be provided irrigation facilities both from the canals and government tubewells annually. An irrigation intensity of 50 per cent would thus be achieved on the basis that the CCA will be the same as the culturable area.

Still more

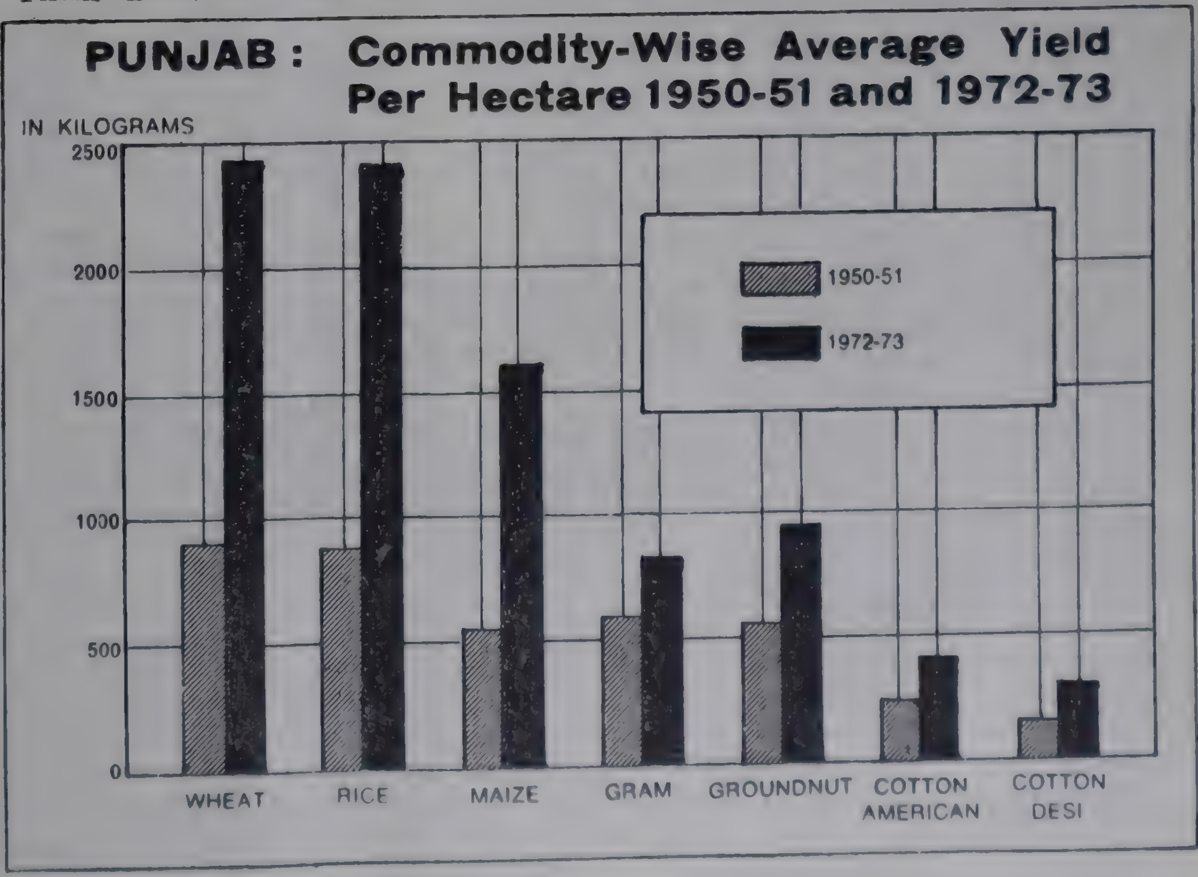
There are three rivers namely Sutlej, Beas and Ravi from which the state can get waters for irrigation. While the river Sutlej has been fully harnessed by the construction of the Bhakra Dam, partial storage on river Beas has begun during the current year. The work on the proposed Thein Dam is likely to be started in the near future and the supplies of river Ravi are likely to be harnessed by about 1980. Unfortunately, however, a major portion of the available waters of the three rivers has already been allocated to the states of Haryana and Rajasthan and more are likely to be allocated out of 7.2 MAF which were allocated to the erstwhile state of Punjab from the stored waters of Ravi and Beas. Due to the allocation of a major portion of the waters of the state's rivers to the adjoining states, the intensity of irrigation will not improve beyond 60 per cent even after full exploitation of all the river waters, both "Flow" and "Stored".

With the introduction of new cropping patterns and extensive use of chemical fertilisers, the requirement of water for crops has considerably increased. The population is also increasing at the rate of 3.1 per cent per year and to meet the full requirements, it will be necessary to exploit other available sources of waters. The state is, therefore, left with no choice except to exploit the underground waters on the one hand and take all possible steps to save and conserve the waters which are at present being lost through seepage, both in the distributaries and in the field channels, on the other.

In 1970, it was assessed that even after the construction of Thein Dam on river Ravi, the intensity of irrigation could not be increased beyond 52 to 55 per cent. It was also realised that since irrigation was the vital requirement of the state, other sources of water had to be tapped if the 'Green Revolution' was to be extended further. The only other source of water is the underground reservoir. According to rough estimates, approximately three to four MAF of underground water could be safely exploited for providing irrigation to areas hitherto un-attended and thus extend the 'Green Revolution'.

Punjab is probably the first state where scientific studies for the correct assessment of the underground potential available were taken up on a proper basis. It was also realised that in order to exploit three to four MAF of underground water, funds required will be colossal and could not be made available from government sources. It was against this background that a decision was taken in 1970 to create the Punjab State Tubewell Corporation for exploiting the underground waters in the state by attracting institutional finances.

The corporation was incorporated under the Companies Act in December, 1970 but much headway could not be made till March, 1971 when a part of the equity capital was released by the state government. During 1971-72 a project for the installation of 300 deep tubewells along Sirhind canal was taken up. This project was framed to create water to the extent of 600 cs. which could be fed into Sirhind canal for augmenting supplies thereof and thus increasing the intensity of irrigation in the arid areas of Bhatinda and Ferozepur



Mr M. M. Anand is the managing director of the Punjab State Tubewell Corporation.

districts. It was felt that if the present supplies could be augmented by tubewells, considerable relief could be provided to those areas. Simultaneously work was also started in the Kandi areas and schemes for providing 50 tubewells in Saroya block and another 50 tubewells in Bajwara block were approved by the board of directors.

New schemes

In 1972-73, besides the above projects on which work was started in 1971-72, work on the following schemes was taken up with the funds provided by the government of India under the Emergency Agricultural Production Programme:

(i) Installation of 40 tubewells in Kharar-Sialb-Majri-Ropar Block. (ii) Installation of 30 tubewells in Dera Basi Block. (iii) Installation of 30 tubewells in Balachaur Block.

All these blocks are located in the Kandi areas where it is not possible for the cultivators to instal shallow tubewells.

The primary objective of the corporation is to provide irrigation to those areas where the irrigation intensity at present is zero and it is not possible for the cultivators to instal tubewells themselves. It is for this reason that the government has given the highest priority to installation of deep tubewells in Kandi areas located along the foothills of the Shivaliks where the water table is very deep and it is not possible for private enterprise to instal shallow tubewells. During 1971-72 and 1972-73 work was pushed up with speed in spite of the initial handicaps such as lack of equipment etc. By the end of July, 1973 almost 400 tubewells had been drilled. However, these tubewells could not be commissioned as they had not been developed for want of development equipment, nor had the underground pipelines been laid due to the shortage of pipes. In order to create irrigation potential quickly it was decided to complete these 400 tubewells in the first instance in all respects and commission as many as possible so that maximum potential could be created. Up to the end of July, 1974, 280 tubewells out of 400 drilled tubewells had been completed in all respects, while 150 had been energised and put into operation. The potential thus created was of the order of 112,000 acres, while the potential actually utilised was of the order of 60,000 acres. The delay in energisation is due to lack of equipment with the PSEB which is, however, doing its best to energise almost all the tubewells in the shortest possible time.

It is anticipated that by the end of 1974 more than 350 tubewells would be in operation thus providing a potential of 140,000 acres.

Fully equipped

Today, the corporation is equipped with a fleet of drilling rigs which are suitable for drilling in alluvial soil and also hard strata encountered particularly in Kandi areas. Simultaneously, the corporation has a fleet of development units suitable for developing tubewells in different stratas. The corporation has also established its own workshop at Doraha where it undertakes repairs and overhauls of machinery besides manufacturing such equipment as is required by it for the installation of tubewells.

In the fifth Plan period, it is proposed to instal approximately 2,500 tubewells at the rate of 500 tubewells per year as given in Table I.

It is hoped that with the construction of these tubewells an additional quantity of 4500 Cs. of water will become available which will bring an additional area of approximately one million acres under irrigation. It is the intention of the government to augment supplies in Khara Maja area of UBDC and in Abohar and Fazilka areas where the water is saline and tubewells cannot be installed. The tubewells proposed along river Ravi will feed the Khara Maja area, while the tubewells along Sirhind Feeder, Ferozepur Feeder and in the Bet area between Ferozepur and Harike will increase the supply of waters to Abohar and Fazilka areas. Similarly, tubewells along Bhakra Main Line and Narwana Branch are intended to serve the areas of Sangrur and Bhatinda districts. As far as the other blocks are concerned, only those blocks have been taken which are located in the backward areas and Kandi areas.

Punjab has virtually come to the end of its water resources and even after full utilisation of groundwater potential, the intensity can hardly be increased beyond 55 to 56 per cent.

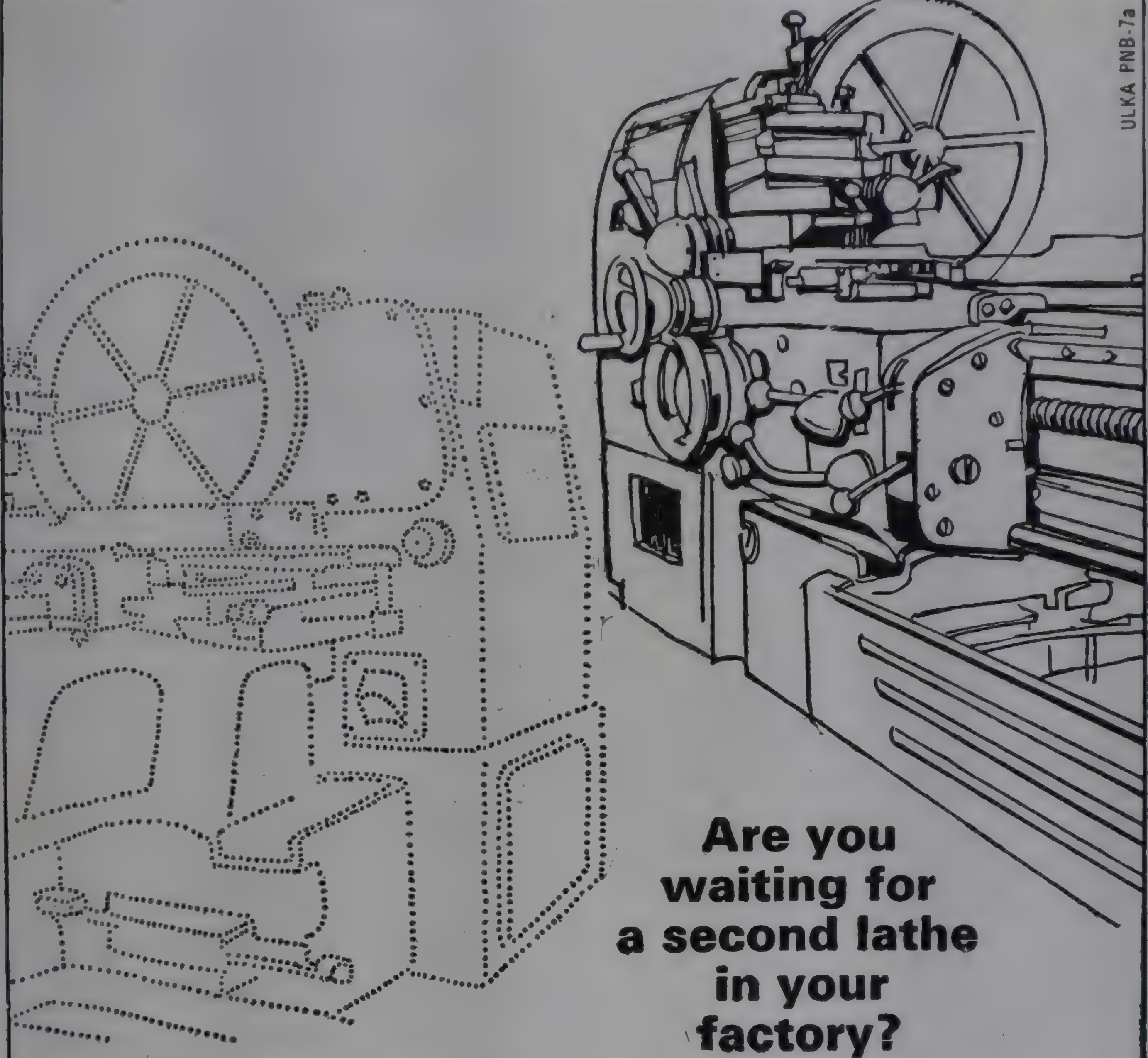
According to the present needs of the country and keeping in view the fact that in more advanced countries an irrigation intensity of 200 to 300 per cent has already been achieved, it is necessary to exploit other sources for the creation of more waters without which the economy of the state may not be able to make much headway.

Loss through seepage

It has been estimated that about 30 per cent of the water is lost through seepage in the field channels. Working on the basis that the total quantity of water being used by the state through various outlets of the irrigation channels is approximately of the order of 9 MAF it can safely be assumed that if all the watercourses in the state are lined, there will be a saving of approximately 3 MAF of water which can provide irrigation to an additional area of approximately 1.7 million acres, thus adding 2.6 million tonnes to foodgrains production. However, lining of all the watercourses in the state is a venture which cannot be completed in a short period as funds required for the same will be colossal. The Agricultural

TABLE I

	Numbers
1. Direct Irrigation Tubewells:	
1. Sinking of tubewells in Dera Bassi Block, Phase II ..	35
2. Sinking of tubewells in Hoshiarpur Block ..	66
3. Sinking of tubewells in Rajpura Block ..	70
4. Sinking of tubewells in Bhunga Block ..	92
5. Sinking of tubewells in Kharar-Sialba-Majri-Ropar Block, Phase II ..	48
6. Sinking of tubewells in Balachaur Block ..	20
7. Sinking of tubewells in Nurpur Bedi Block ..	50
8. Sinking of tubewells in Anandpur Sahib Block	39
Total	420
2. Augmentation Tubewells:	
1. Sinking of tubewells along river Sutlej from Harike to Ferozepur ..	300
2. Sinking of tubewells along river Sutlej from Ferozepur to Fazilka ..	500
3. Sinking of tubewells along Sirhind Feeder	80
4. Sinking of tubewells along Ferozepur Feeder	100
5. Sinking of tubewells along Bhakra Main Line	200
6. Sinking of tubewells along Narwana Branch	100
7. Sinking of tubewells along river Sutlej from Ropar to Harike	400
8. Sinking of tubewells along river Ravi ..	400
Total	2080
Grand Total	2500



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Medium-term loans will buy factory sheds and plants. Short-term loans will cover the cost of raw materials and components, spares and stores, processing of raw materials and marketing of finished products.

Our repayment terms are very liberal. Visit our nearest branch and we'll explain all about them. Chances are, we'll agree on a plan that suits you best and helps you make your fortune.

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punjab
national
bank

Refinance Corporation has already accepted in principle the urgent need for taking up this work.

The total length of watercourses to be lined is of the order of approximately 30,000 miles. The cost for this will be about Rs. 100 crores. It is significant that while this cost will be only Rs 100 crores and will create waters to the extent of 3 MAF the cost of constructing the Thein Dam will be approximately one and a half times, while the live storage for irrigation will be only of the order of 1.0 MAF. It is, therefore, obvious that the cost benefit ratio in this case for the creation of water by lining canal water courses is far better. However, the entire Rs 100 crores cannot be arranged in the next five years. It is, therefore, proposed to restrict lining of watercourses to the tune of Rs 15 crores during the fifth Plan period by incurring an outlay of approximately three crores of rupees per year. This will enable lining of approximately 900 miles of watercourses per year, making the total length lined as 4,500 miles in the fifth Plan. This in turn will create water to the extent of 0.5 MAF thus increasing the area under irrigation by 300,000 acres adding 450,000 tonnes of foodgrains worth Rs 50 crores. It is obvious that the return is 3½ time in terms of value of foodgrains as compared to the capital invested.

The priorities for taking up the work of lining of watercourses have been fixed keeping in view two factors namely:

(i) Areas where absorption is high due to the sandy nature of soil; and (ii) Areas where underground water is not available.

Such areas have been given the highest priority for taking up the work of lining of watercourses and on this basis the work is proposed to be started in the districts of Bhatinda, Ferozepur, Sangrur and Faridkot. On April 13, 1974—the New Year Day in Punjab — a massive programme of lining the watercourses was launched by the chief minister, Punjab, at Dam Dama Sahib near Bhatinda. Simultaneously, the schemes were inaugurated at Ferozepur on April 15, and Sangrur on April 16, 1974. The various schemes which have been drawn up for this purpose are given in Table II. The names of banks which have agreed in principle to sponsor these schemes have also been indicated. The corporation is indeed very grateful to these Banks namely, Punjab National Bank, the New bank of India, the Punjab & Sind Bank and Central Bank of India for having agreed in principle to sponsor these schemes subject to their clearance by the ARC.

The total length of watercourses to be lined on these channels works out to 2,720 kilometres.

The schemes mentioned above have been accepted by the technical experts of the ARC who visited Punjab during the months of August, 1974. Simultaneously, the economic experts of the ARC are evaluating the economic viability of the schemes and it is hoped that these schemes will be cleared in the very near future.

For the first time since its formation, the corporation has started earning revenue from the sale of water. The tubewells along Sirhind Canal which have been installed for purposes of augmentation started operating in the middle of January, 1974. Up to the end of August, 1974, the corporation has earned Rs 246,000 approximately by the sale of water from these tubewells. Simultaneously, tubewells which have been installed in Dera Bassi Kharar-Sialba-Majri-Ropar and Balachaur blocks started operating in February, 1974 and up to the end of August, 1974 the total revenue earned from these tubewells was approximately Rs 42,366. Although these figures are insignificant, but they are an index of the fact that the corporation which started from scratch has now started showing results.

During 1974-75 the corporation has repaid loans and interest to the various banks to the extent of approximately Rs 6.8 crores. The corporation which was established in December 1970, has now come of age and is fully equipped to take up works not only in Punjab but also outside the state whereever its services may be required.

TABLE II

Name of scheme	Estimated cost (Rs crores)	Name of the sponsoring bank
Sangrur District		
1. Lining of watercourses of Sheron disty. of Kotla branch	13.902	The New Bank of India
2. Lining of watercourses of Sangrur disty. of Kotla branch	4.248	-do-
Ferozepur District		
1. Lining of watercourses of Malukpur disty. of Abohar branch	29.020	Punjab National Bank
2. Lining of watercourses of Panjwa disty. of Abohar branch	13.738	-do-
Faridkot District		
Lining of watercourses of Faridkot disty. of Sidhwan branch	15.852	Punjab & Sind Bank
Bhatinda District		
Lining of Phul disty. of Bhatinda branch	21.1	Central Bank

The Punjab State Cooperative Land Mortgage Bank Ltd.

CHANDIGARH

A Bank of Farmers

Its affiliate 42 Primary Cooperative Land Mortgage Banks advance long-term loans for :—

i) Sinking of wells
ii) Installation of tubewells and pumping sets
iii) Purchase of tractors and other heavy machinery
iv) Levelling and reclamation of land
v) Construction of surface and underground channels
vi) Construction of go-downs, cattle-sheds and tractor-sheds.
vii) Purchase of land and redemption of mortgages in the State of Punjab.

The Bank is executing special area development schemes with the refinance facilities of the Agricultural Refinance Corporation for the installation of tubewells, water management, land levelling, cultivation of grapes, tractors etc.

The Bank accepts fixed deposits at fine rates for one year and two years.

Secretary

Punjab and its problems

M. K. MOHTA

SPITE of about four years of itical instability following repartition of Punjab in 66, the state has once again ained the tempo of accele- ed economic and industrial ogress. The Green Revo- ion in wheat production s increased the reputation this north-western state as unary of the entire country. t the scope for exploitation the land and of the excel- nt human resources in agri- lture is rather limited and economy of this border ate cannot be raised exclu- ely on agricultural prospe- y. There has to be balanced velopment of agriculture d industry; otherwise it ould be difficult to maintain e rate of progress even in e agricultural field. The con- ued economic growth of the ate requires the deployment production capacity in a riety of fields, i.e., simul- neous investment in mutually mplementary sectors.

dustrial progress

In the agricultural field unjab is the biggest single ontributor to the food kitty our country; but on the dustrial front, it is far be- nd the industrialised states. this I do not mean that ere has been no progress in is sector, but comparatively e state of Punjab is back- ard in this regard; the rate per capita value added by anufacture for Punjab is 25 er cent less than the all-India verage. The percentage of opulation employed in indus- ies in Punjab is not only agnant but actually dec- ning. A good progress was hieved during the early six- es and today the state has out 37,000 registered small- ale units besides a good umber of medium and large- ale industries. There are ve projects in the joint sector which four—tractors, steel billets, TV sets and dry cell batteries—have gone into production. Production in two fertilizer plants and one vanaspati factory in the cooperative sector have also started. A fertilizer plant costing Rs 137 crores is also being set up in the state at Bhatinda. Besides a scooter factory will soon come up at Nabha. The most happy and welcome feature for the industrial community is the commissioning of Bhatinda Thermal Power Station which has started the generation of about 500,000 units of electricity since mid-September.

The assessment of the economic development of the state can be had from the estimate of per capita income. The per capita income of people of Punjab in 1961 was Rs 374 which rose to Rs 995 in 1970-71 and finally it has touched Rs 1054 at current prices. This definitely shows an improvement in the standard of living of the people in this state. It is worthwhile mentioning in this context that the major contribution to the state is from primary sector i.e. agriculture, animal husbandary, forestry, etc and the contribution to the state income from secondary and territory sector is of marginal importance.

Focal points

The industrial units are dispersed throughout the state. The important centres are: Ludhiana, Amritsar, Batala, Bhatinda, Rajpura, Jullundur, Goraya and Patiala. Substantial growth of industries has been observed at three focal points which have been located in Dhandri near Ludhiana, Rajpura near Patiala & Mohali near Chandigarh. The cities of Amritsar, Ferozpur and Batala have been declared as border focal points by the state government for providing stability to these areas.

The industries of Punjab are today manufacturing agricultural implements, machine tools, auto parts, cycle and cycle parts, electrical goods, hosiery, sewing machines and various other items. The Punjab units which exported goods worth Rs 10.11 crores in 1967-68 had reached a figure of Rs 31.10 crores during 1972-73. The bulk of these goods came from hosiery, cycle parts, sports goods, pipe fittings, hand tools and machine tools and a major part of the contribution was from the small-scale sector. The products of industries of Punjab are capturing the most sophisticated markets of the world such as the USA, the UK, Canada, West Germany, New Zealand, Japan, the Netherlands, Denmark besides the Afro-Asian countries.

The industry in Punjab suffers from certain inherent disadvantages such as long distances from sources of supply of vital raw materials such as coal and steel, inadequacy of credit and other financial inputs, inadequacy of power, long lead to markets and ports, etc. Due to historical reasons there is a preponderance of medium and small-scale units

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Mr M. K. Mohta is the chair- n of Punjab, Haryana & Delhi amber of Commerce & Industry.

BHARAT COMMERCE AND INDUSTRIES

P.K. Jain

The nationalisation of aviation business by the government of India in 1953 resulted in the change-over of Bharat Airways Ltd. into Bharat Commerce & Industries Ltd. (BCIL) with spinning of staple and synthetic yarn as its chief activity. It has four units in this country, one each at Thana (Maharashtra), Nanjangud (Mysore), Nagda (Madhya Pradesh) and Rajpura (Punjab). The total capacity of all the four units is 117,336 ring spindles and 47,156 doubling spindles; the unit at Rajpura has 25,080 ring spindles and 5,200 doubling spindles.

The partition of the country in 1947 caused the migration of thousands of refugees to Punjab. In order to rehabilitate them, an industrial estate came up in Rajpura. BCIL decided in 1963 to contribute its share in the development of the state and the absorption of the refugees by setting up a spinning unit at Rajpura. The unit came up in record time and went into production in 1964.

The important role currently being played by the Rajpura unit of BCIL can be gauged from the fact that it caters for the needs of Punjab upto 75 per cent in cotton and staple yarn. In the initial stages, 12320 spindles were installed which were increased by 13,000 spindles (taking the total capacity to 25,320 spindles) keeping in view the rising demand of yarn by weavers of this state. Yarn of all counts is manufactured in the unit.

The annual production of the unit is equivalent to five million kg. Besides income tax, the Rajpura unit yields revenue to the government equivalent to about Rs 16 lakhs per annum in the form of excise duty and sales tax. The unit employs 2,000 workers. BCIL is willing to expand its capacity further provided the state government takes up the matter with the centre for releasing the requisite licence.

Mr P. K. Jain is vice-president, Bharat Commerce & Industries, Rajura, Punjab.

in this region and there are not enough industries in the large-scale sector around which supporting ancillary units could be built. To keep pace with the rapid technological development as also to contribute substantially to the state's economy and the national economy as a whole industries in this state particularly engineering, cotton textiles, woollens and hosiery need to be geared to raise their level of output through modernisation and capital repairs.

The state does not lack entrepreneurs, skilled labour and hard working people. In spite of these positive trends and strong rational characteristics of Punjabis, the big industrial units in the private sector do not find the land attractive for new ventures. They find this border state risky which has already witnessed three confrontations with Pakistan after independence. The industry in Punjab specially in the private sector has been facing a large number of problems for the last few years. There is strong need for examining the urgent requirements of the industry of the state which are groping in the dark due to the lack of basic infra-structure suitable for the proper industrial development of the state. During the last two years, the industrial production of the state has touched a new low. Unemployment among industrial workers is rising and the situation has been further worsened by the severe shortage of power. The workers are victims of lay-off and there is an apprehension of deterioration in the law and order situation in the state unless appropriate measures are adopted to remedy the situation.

During the current year when the demand for annual energy is 4449 GWh, the availability is only 3550 GWh; the position is not likely to improve much in spite of the commissioning of the Bhatinda Thermal Power Station. A study made by the Punjab, Haryana and Delhi Chamber shows that the entire northern region will suffer from huge deficit of power during the first four years of the fifth Plan period and unless advance action for establishment of more hydel and nuclear power generation is immediately taken the shortage will continue even at the end of the sixth five-year Plan period. The centre should take all steps to exploit the hydel potential of Himachal Pradesh and Jammu & Kashmir to the maximum extent in the interest of the entire country. We are happy that the Fuel Policy Committee in its final report has commended the piping of coal gas to new thermal power generating stations. The entire state, as far as power is concerned, depends mostly on the Bhakra complex and a few hydro resources of its own. Since the hydro power generation is very much subjected to the vagaries of nature, the entire agricultural and industrial activities of the state virtually depend on the monsoons.

There is no supporting thermal power capacity with the state except th
which has been commission
recently at Bhatinda. The
is, therefore, an urgent ne
for the installation of a f
thermal power stations or
atomic power plant in li
thereof. Unless these co
plimentary arrangements a
made, the stability in the sy
tem would be lacking and t
industries would be facing c
tical situation as far as pow
is concerned. In the prese
context, the immediate ste
which the state governmen
should take are list
below:

1. To expedite the constru
tion work of power statio
already in hand;
2. To allow the import of ne
and reconditioned genera
ing sets for captive use
the industry;
3. Non-conventional sourc
of energy such as Goba
night-soil gas, solar e
ergy, etc. should be explo
ed to the maximum exte
in place of electricity us
in the rural areas.
4. To take steps for reduci
immediately the syste

a step towards industrial progress...

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losses and power thefts which are the highest in Punjab.

There should be some equality in suffering from power shortage in other states of the northern region and other states should help Punjab during its crisis.

Scarce raw materials

Without regular supply of aw materials, the optimum production in industries is not possible. As discussed earlier, Punjab is situated far away from the sources of supply of raw materials which put the state at a disadvantage vis-a-vis other states. At all big industrial centres, the small and the big industrial units are fighting a running battle against the scarcity of basic raw materials such as steel. The small manufacturers are getting limited quantities of steel. So is the case with the machine tool industry. Even with the open market purchases of steel, the units in the state are only working at half of the rated capacity.

The state of affairs of hosiery units is far from satisfactory. These units are not even getting sufficient quantity of needles to work besides prevailing high prices of wool and cotton yarn. The supply of coal is very irregular. During the last three months the supply of coal has been substandard while units are being charged for grade I coal. This coal contains a very high percentage of stone, dust, etc. leading to severe damage to the boilers. It is absolutely necessary that the central government should take immediate steps to open a few coal dumps in major consuming centres of Punjab. The foundry industry of Batala has been passing through one of the worst crises on account of the non-availability of pig iron for the last six months. Against the requirement of 200 wagons, the industry is hardly getting 20 to 30 wagons a month i.e. only 10 to 15 per cent of its requirements. Unless arrangements are made for a regular supply of raw materials, the industrial production of the state is bound to suffer.

Due to the poor quality and irregular supply of coal, a large number of industrial units in Punjab have switched over to fuel oil during 1970-72. With the unprecedented hike in the petroleum prices throughout the world, for which our export bill has gone up considerably, the government of India has enforced compulsory cuts ranging from 10 to 20 per cent in furnace oil.

The consumption of fuel oil may be reduced further and the government of India has since classified industries technologically into four groups depending on whether they would be allowed to use furnace oil or would be required to switch back to coal over varying periods. This poses such problems as derating of boilers which may be solved only after a long period. Therefore at the moment the industries which are export-oriented should be at least allowed to use furance oil according to their requirements. The pressure on foreign exchange through the import of diesel oil may be more than offset by the additional exports.

Institutional finance

For accelerating the pace of industrialisation in the country, a number of financial institutions have been set up. Probably due to lack of adequate and viable industrial projects, the financial assistance rendered by the IFC, the IDBI, the ICICI, etc, has been comparatively negligible for Punjab as compared to the other states of the country. The trend of assistance given by the term financial institutions has been as follows from 1970-71 to 1972-73.

States	*Assistance Sanctioned (in crores)*		
	1970-71	1971-72	1972-73
Maharashtra	52.8	48.4	64.3
UP	14.7	11.3	24.2
West Bengal	11.3	13.7	20.8
Punjab	0.5	3.5	4.1

Also, the state-wise distribution of industrial projects as on June 30, 1973, according to the annual report of the IFC, was as follows:

State	*Amount*	*No of Projects*
Maharashtra	99.37	137
West Bengal	40.05	72
Gujarat	31.34	47
Haryana	13.20	32
Punjab	7.82	14

The Industrial Finance Corporation has financed 621 projects in different parts of the country, its direct finance amounting to Rs 484 crores. However, there were only 14 projects with financial assistance of Rs 7.8 crores in Punjab. The major share of the financial assistance has been given to the developed states.

Flow of funds

The flow of funds from the banking system to the industrial units in Punjab is also very meagre. Despite the steady rise registered by the deposits collected by the banking system in Punjab, the advances granted by the commercial banks have been well below the all-India average in this respect. The per capita advances in Punjab in 1972 were Rs 95.09 against the per capita deposits in the same period at Rs 286.72. The all-India average of per capita advance was Rs 102.44 against the per capita deposit of Rs 152.

The most significant fact which emerges from it is that despite the specific breakthrough in the form of deposit mobilisation by the banks there has not been any corresponding rise in advances to industrial units in Punjab. The problem of bank finance has now assumed a new dimension particularly in the context of the stringent monetary policy pursued by the government. A special characteristic of Punjab is that the state suffers from a shortage of raw materials while the industry is seasonal. It is for this pressing reason that bank finance should be made available to industries on a liberal basis. The industries of this nature are supposed to keep a minimum level of inventory of raw materials because the material could not be obtained immediately from other centres due to long haulage.

The centre has all along ignored Punjab regarding the location of major public sector industries. There is no major public sector unit in the state around which subsidiary and ancillary industries may depend for growth. Even in the calender year 1973, the ICICI investment was only Rs 27 lakhs or 0.1 per cent out of the total investment of Rs 445 crores.

Joint sector

The joint sector projects belong to medium-scale industries. The small-scale industrial units which have contributed significantly to the growth of the economy of Punjab and to national exports need modernisation for the maintenance of vitality. A recent survey by the central government's Small Industries Service Institute (Ludhiana) stressed the immediate undertaking of modernisation programme in a number of industries. The government departments at various levels have given scant attention to this. Also, to face the current domestic and international economic crisis, diversification of production ranges and capabilities is absolutely necessary but little guidance is available to small-scale entrepreneurs in this regard.

Quick growth of agriculture and industry was possible in post-independence Punjab because of the existence of a good network of railways and trunk roads. In the fifties, the road networks were developed in the state increasing the approaches to markets; this, in turn helped the tempo of industrial development. Over the years, the capability of the railways for essential goods movement between this state and other regions of the country has declined while there has been no increase in capacity. In this background, recent distance restrictions on haulage of goods by road carriers will adversely affect the various industrial units. The union government must review the situation and ensure a better way to secure maximum co-ordinated use of all types of transportation.

Both the union government and the state government have taken a number of measures to promote new industries and increased productivity and production and to encourage new entrepreneurs and investments. But unfortunately there is a wide gap between the spirit behind such wise and farsighted policies and actual implementation of such policies at lower levels. There should be a continuous dialogue between policy-makers of the administration and the active representatives of the business community to check faults and failures in the implementation of accepted policies and for reviews from time to time.

Recognizing the importance of balanced and coordinated development of the north-western region and the crisis in the industry of Punjab, the union government in 1973 constituted a high level task force committee consisting of representatives of several central ministries and the state governments of Punjab and Haryana and Delhi administration to examine the problems of industries in this region. We are much obliged to the union government, specially the ministers of Planning and Industrial Development for the constitution of this committee on which our chamber and the engineering industry are represented. Soon after taking over the office of the additional secretary in the ministry of Industrial Development, Dr Arun Ghosh, an eminent economist on his own, has activized this task force and we are sure that the committee will be able to get its recommendations implemented during its tenure. I think that considering the economic integrity of the entire northwest, Himachal Pradesh should also have been brought under the terms of reference of the Arun Ghosh Committee.

I would like to emphasise the fact that even the incentives and the concessions granted by the state government for accelerating industrial growth are not implemented in time by the state authorities. This creates a credibility gap which is the cause for concern in industrial circles.

I may further mention here that at the time of the Punjab Industrialists' Conference in February 1973 certain incentives were announced by the chief minister but even though a period of 1½ years has passed, some of the notifications regarding these incentives have not been made so far. Several units at such focal points as Dhandri Kalan and Mohali are finding it difficult to claim these incentives.

Molins for machines

D. SAHA

TODAY THE name of Molins is recognised throughout the tobacco industry of the world and is synonymous with quality, precision and reliability. Molins has been in the forefront in the design and construction of highly specialised machinery. Its interests have been extended to printing and paper converting machinery, and quite recently numerically controlled machine tools.

Due to the increasing difficulties experienced by the tobacco trade to import spare parts, Molins was approached to establish a manufacturing unit in India. In 1960 Molins of India Limited commenced production in Calcutta in a modest manner with 30 operators and a product range covering approximately 500 items of spare parts.

The prime aim of the company initially was to quickly extend its range of spare parts, and today it has increased its manufacturing range to over 40,000 different items satisfying the trade's requirements.

In further fulfilment of its initial aims to reduce the national foreign exchange burden the company has progressively undertaken the

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Mr D. Saha is general manager, Molins of India Ltd.

Pangs of Progress

In an exclusive interview recorded at Mohali recently, Mr: Saha said :

"The growth of the cigarette industry in terms of cigarettes consumed has been static for some while. Some of the bigger cigarette manufacturers are diversifying into other lines. The government of India is lately encouraging the establishment of units for the manufacture of cigarettes in the joint sector. There are many such units projected to be located in the states of Jammu & Kashmir, Assam, Madhya Pradesh, Tamil Nadu, West Bengal and Karnataka.

"Molins of India Limited is confident that it will be able to meet the demands of machines by these joint sector units fully and on time, but it is feared that with the present constraints on building construction, power etc., the development of joint sector units may not be according to the pace originally contemplated.

"We take in orders from parties other than for the cigarette industry. These are for component parts and not machines, and are mostly for items involving intricate machining. We supply parts to Hindustan Machine Tools Limited, Hindustan Aeronautics Limited, and Garden Reach Workshops. Wherever engineering skills are required in the manufacture of components, our services could be utilised. Our rates though not cheap compare favourably with engineering firms of similar standing, our workmanship is considered to be excellent, and we are punctual in meeting delivery dates.

"Our factory situated as it is in the focal point at Mohali suffers from a number of limitations. For example, the transport system is not adequate and three large units at Mohali have to pay Rs. 500 each monthly as subsidy to get public bus service. With more industries being set up at Mohali the number of buses should be increased, as it is leading to overcrowding and causing great inconvenience.

"For the last two years we have failed to get a telex connection for our factory at Mohali. Every telephone call to Chandigarh is a trunk call. Without proper communications we are isolated and our effectiveness is very much impaired."

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A. S. POONI, *IAS,*
Managing Director

THE PUNJAB STATE COOPERATIVE SUPPLY AND MARKETING FEDERATION LIMITED, CHANDIGARH.

manufacture of complete machines, introducing a new machine type each year since 1968. It is now able to offer indigenously manufactured machines covering the tobacco cutting, cigarette making, filter-tipping, packing and wrapping of cigarettes. In addition to manufacturing complete machines, a considerable amount of foreign exchange has been saved by assembling machines outside our present range from piece parts imported by our customers. The necessity for servicing these Indian manufactured high speed sophisticated machines was anticipated and a team of service engineers was built around a nucleus of personnel trained in Molins, England. This foresight has enabled us to provide with confidence a highly skilled and competent service in meeting the increasing demand from new entrepreneurs for installation, maintenance and training of crew for the comprehensive range of Molins machines.

Encouragement to ancillaries

A large number and variety of components are used on our machines. The policy of the company has been to confine the manufacture of the complex items to the company's own manufacturing plants. Small-scale industries were encouraged to take on the responsibility of supplying the easier items, some requiring specialised know-how which was provided by the company. Over 100 subcontractors have been developed in this manner and their products undergo the same inspection standards as our own manufactured items.

The company has been able to use its expertise, to assist non-tobacco business houses and also government enterprises in the manufacture of difficult components, normally imported by them.

The growing research and development section has been able to progressively reduce the imported element of our own machines, so that the amount of dependence has been rapidly diminishing standing at 12.5 per cent import for some machines and nil for others. The wide experience of the company in the sphere of packaging and wrapping is now being exploited by our research and development section to develop further types of similar machines indigenously for pharmaceutical, food and other consumer goods industries.

Reduced prices

As a result of constant investigation into its manufacturing process, and improved overall efficiency, the company was able, despite rising material and labour costs, to pass on to the customers in October 1972 the benefit of a price reduction on some machine spares, which on an average decreased the prices by 10 to 15 per cent. Recently, in July, 1973, the price of the Duplex Packing Machine was reduced by one lakh of rupees.

With increasing demand, particularly for complete machines, it became evident that a second manufacturing unit was essential. After a thorough and extensive survey of potential sites in many parts of the country, the decision was taken to locate the new unit at Mohali, Punjab.

The factory is situated in a 17-acre plot. From the outset the concept has been to formulate a planned and integrated general purpose factory complex for the entire site, even though the extent constructed for the moment approximates to only 25 per cent of the maximum possible. Flexibility has been allowed in the integrated plan of the layout for diversification into other product lines in the future.

The layout of the units within the factory has been designed to embody the full requirements of a modern production unit. By a careful siting of the machine shops, ancillary units and assembly bay, minimum handling and most expedient routing of work from the receipt of raw material to the despatch of complete machines has been ensured. Maximum advantage has been taken to design the buildings not only to suit the product requirement, but also to provide maximum natural lighting and cooling in all areas particularly the workshops. Overhead travelling cranes will be provided in workshops and stores to reduce major manual handling.

Annexed to the main workshop building is a multi-storied 'Utilities Block' accomodating the workshop administration and maintenance staff, central inspection department, tool stores, dispensary and toilets on the ground floor, with direct access to the workshop area and the upper floor which contains the employees canteen. The layout is such that once a factory employee is within the production complex all his requirements are provided for under one roof and within easy reach.

The operations involving noise, fumes and movement of heavy incoming and outgoing packed goods have been isolated in areas where the employee density is minimum.

As the factory works three shifts, a high intensity of artificial lighting has been provided particularly in the workshops, which should reduce fatigue and improve safety. A standby diesel generating set caters for the full production needs.

Nearest to the main road stands a three-storied central administration building, forming the head office, with the managing director's and executive offices, accounts, sales, personnel, drawing offices, research & development, central production control and planning departments.

The new factory thus allows for future extension as production capacity is increased, and provides ample area for recreational facilities for employees such as cricket, football, hockey and badminton.

It is our belief that this modern factory placed in spacious grounds will provide the environment and incentives by which we may continue to provide an efficient and progressive service to our present and future customers.

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Woes of woollen industry in Punjab

RAM PRAKASH KAPOOR

STATE government has not n certain necessary mea- s which could have reduced difficulties of the manu- rers of woollen textiles. example, there is 100 per difference in sales tax on l tops purchased in Punjab in the neighbouring state Rajasthan. If one buys l tops in Ludhiana, the s tax payable is six per cent e the central sales tax on purchases of wool tops in ner is three per cent only. urally the manufacturer in jab is constrained to make purchases outside Punjab. several occasions, this ano- y has been brought to the ce of the chief minister as the minister of Finance no action has been taken far. Even in the case of ssories, the central sales is three per cent as against per cent in Punjab. The sport cost between Jullun- and Jaipur does not absorb full advantage of three cent.

Again, in regard to the ly of power all sorts of as- nces have been held out ndustry in Amritsar. For nple, we were told that as as Bhakra was commissioned, there would be no dearth of power in Amritsar but currently we are being supplied with only one-fourth of the power that we need. On top of that, the units are allowed to operate only three days in a week; how can an industrial unit keep alive in these circumstances? On the one hand the government insists that the wages of workers should be increased, on the other hand no assistance is given through increased power for raising production. How can the industry meet these challenges?

Recently, the state government had fixed the minimum wage (even for a sweeper) at Rs 150 per month. The price index has moved up, consequently we have to pay an additional Rs 27 per month as dearness allowance. If these additional burdens continue to be imposed, how can the industry become viable?

Amritsar is starved of accessories, dyes and even capital. And these conditions have persisted for the last few years.

During the regime of the late Pratap Singh Kairon we received considerable assistance for expansion in industry and it was due to his untiring efforts that Amritsar had been able to retain its stature among the industrial towns of the state. During Kairon's tenure, the purchase tax was not more than one per cent.

The prices of woollen goods are moving up because of the taxation policy of the government. In fact, the government is a major partner in the realisation of funds through the sale of woollen goods. The major taxes are from the import duty on wool tops and the excise duty on finished products. The import duty on wool tops is five rupees a kg. The import duty on finished goods is Rs 5.75 a kg. The tax element comes to 25 to 30 per metre of woollen cloth. How can prices come down if the government takes away such a big slice of the earnings?

For a woollen garment, the good quality cloth is retailed at Rs 80 a metre out of which Rs 25 are taken by the government as tax element. Therefore, there is no possibility of prices of woollens coming down in the near future. The only way prices can come down is to let production go up. There is a tendency on the part of the manufacturers to sell their products speedily. In a market where supplies are restricted there is little chance of prices coming down. The industry finds itself in a tight corner. On the one hand, the banks have raised their advance rates while on the other, the industrial units are not able to increase their production. While the interest rate has gone up, the banks have also applied credit squeeze. The interest rates charged by banks today are truly the Kabuliwala interest rates. There was a time when we were paying not more than six per cent as interest on loans taken from the bank but today we are paying as much as 18 per cent per annum. The future of this industry in Punjab is therefore not bright.

Our chief minister, Giani Zail Singh, went out to Maharashtra and asked Punjabi businessmen to come back to the state but they all refused; they do not want to come back here. They know that we are operating under very difficult conditions here. It is a pity that the government itself is not planning the expansion of industry and it is also not letting us plan our affairs. If we chalk out our annual plan, it is thwarted by official measures which obstruct our schemes. Currently, easing of the credit squeeze and adequate supply of power hold the key to industrial prosperity in Punjab.

Ram Prakash Kapoor is the ging director of Punjab llens, Amritsar.

PSIDC forges ahead

A. S. CHATHA

AB STATE Industrial Deve- nent Corporation Limited DC), a wholly-owned state rnment undertaking, was rporated on January 31, . The authorised capital he corporation is seven s of rupees and the state rnment has provided a of Rs 366.60 lakhs to the oration. A provision s in the current year's bud- f the state government for investment of Rs 210.00 lakhs in the share capital of the corporation.

The aims and objectives of the corporation are wide in scope but, at present, it has concentrated on the following two:

(a) It acts as an institutional entrepreneur for promoting industries in the large and medium-scale sectors. In pursuance of this objective, the corporation undertakes techno-economic investigations and preparation of feasibility reports. Based on the results of its investigations, it approaches the government of India for the issuance of letters of intent and takes necessary steps for converting letters of intent into industrial licences. After the finalisation of technical and financial collaborations, wherever required, it floats companies for implementing the projects.

As a matter of policy, the projects are implemented in the Joint Sector. The corporation holds not less than 26 per cent and the private sector co-promoter not more than 25 per cent of the paid-up equity capital of the company incorporated for the implementation of a project. The balance 49 per cent of the equity capital and the entire preference capital, if any, is offered to the public for subscription. The term loan requirement of the project is met from the national financial institutions such as the IDBI, the IFCI, the ICICI, the LIC and the UTI. Assuming the normal debt-equity ratio of

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A. S. Chatha is the managing or of the Punjab State Indus- Development Corporation Ltd.

1.5:1, it has been found that the corporation has been able to promote projects by contributing only about 8-10 per cent of the total capital cost of the project under the joint sector concept.

(b) The corporation has recently been assigned the role of an investment institution by the state government. It is hoped that this role will fill the gaps created by the absence of an organised stock exchange and other similar institutions. As an investment institution, the corporation can provide direct investment in the equity share capital of a project promoted by a private entrepreneur to enable him to make up the promoter's capital. It would underwrite equity and preference share capital to be offered to the public for subscription and would also act as a lender of last resort to bridge the gaps in term lending left after the entrepreneurs have availed of the term-lending facilities provided by the all-India financial institutions the state financial corporation and the banks.

Given below are salient features of the projects which have already been commissioned:

Punjab Tractors Limited

The manufacture of a suitable agricultural tractor which would be competitive in price as well as performance, had been engaging the attention of the state government for the past several years. In late 1969, after investigating several alternatives, the corporation decided to take up the manufacture of "Swaraj" tractors developed by the Central Mechanical Engineering Research Institute, Durgapur. This tractor based on 100 per cent indigenous technology, incorporates some highly desirable features such as a hydraulic system for automatic draft and position control and an efficient transmission resulting in better than the average draw bar pull per unit horse power. A significant feature of the project is its reliance on ancillary units for the manufacture of nearly 80 per cent of its components. In the process of developing suitable ancillary suppliers, necessary technical guidance is being provided to them by the company.

The Punjab Tractors Limited was incorporated in June, 1970 for the implementation of this Rs 3.70 crores project. The first tractor rolled out of the assembly lines in November, 1973. The regular commercial production has since commenced and the tractors are on sale in the market. The unit has been set up at Mohali near Chandigarh.

Punjab Con-Cast Steels Limited

In order to meet the shortfall of steel billets, required by the re-rolling mills and other engineering units in the state, the corporation has promoted this project for the manufacture of steel billets from scrap by the continuous casting technology. The capacity, in the first phase, is 40,000 tonnes of billets per annum which would be increased subsequently to 100,000 tonnes. Two 10-12 tonnes electric arc furnaces have been installed. The first furnace was commissioned in December, 1973. The capital outlay on this project is Rs 3.00 crores. The unit has been set up at Industrial Focal Point Dhandari Kalan, Ludhiana.

Punjab Breweries Limited

The company was incorporated in April, 1970 to set up a brewery with a capacity of 50,000 hecta-litres per annum. The technical know-how has been provided by Messrs Skoda (India) Private Limited. The trial production commenced in July, 1974 and commercial production has since commenced. The outlay on this project is estimated at Rs 2.05 crores and the unit has been set up at Dhandari Kalan, Ludhiana.

Punjab Anand Batteries Limited

The company was incorporated in April, 1972 to set up a dry cell batteries manufacturing unit with a capacity of 60 million nos. per annum. The technical know-how has been provided by Messrs Toshiba Ray-O-Vac, Tokyo, Japan. This Rs 1.85 crore unit commenced trial production in June, 1973 and commercial production has since been commenced. The dry cell batteries manufactured by this unit located at Mohali are on sale in the market.

Punjstar Standard Electronics Limited

The company was incorporated in January, 1973 for the setting up of a TV sets unit with a capacity of 5,000 sets per annum. This unit assembled 800 sets during its first financial year ended on December 31, 1973. It is expected to assemble nearly 2500 sets during 1974.

In addition to the above five large and medium scale projects, the other small units promoted by the corporation such as tannery, nylon reinforced leather beltings and footwears units at Jullundur, the pesticides unit at Ferozepur and process plants and prestressed concrete poles manufacturing units at Mohali are in production for quite some time past.

Projects Completed

The following Projects are at various stages of implementation and it is expected that construction work on these projects would commence during the next 6-8 months.

Automobile Tyres and Tubes

The technical know-how for this Rs 30.00 crore project is being obtained from Messrs The B.F. Goodrich Company, Akron, Ohio, USA. The Technical Assistance & Engineering Services Agreements were signed on July 31, 1974 by the New Company "Punjab Tyres Limited".

Scooters

The technical know-how for this project is being provided by Messrs Scooters India Limited. (A government of India undertaking). The preliminary project report has been received and a suitable site has been selected at Nabha. The company is und formation. The unit is e pected to go into productic in early, 1976.

Synthetic Detergents and Soa

The new company "Stepa Chemicals Limited" w incorporated in April, 19 to set up this Rs 5.00 cro project. Orders for mo of the imported equipmen have been placed and t construction work at Rajpu would commence during t next 2-3 months. The un is likely to go into productio in early 1976.

Precision Measuring Instruments

The new comp ny "A cumeasures Punjab Limite was incorporated in Septer ber, 1973. The proposal obtain technical know-ho through P. E. Consulti Group Limited of the UK h been approved by the gover ment of India. The agreeme has been signed recently a the detailed engineering wo has been taken in hand. T construction work is expect to commence shortly and t unit is likely to go into pr duction during 1976.

Glass Bottles

The government of Ind has cleared capital goods a plication and an applicati has been filed with the Indu trial Credit and Investme Corporation of India Limite for the sanction of the forei exchange loan. The compa "Punjab Pure Glass Ind tries (P) Limited" is bei converted in to a pub limited company shortly. T construction work on this 2.20 crore project is sched ed to commence during t current year.

Cotton Spinning Mill

The industrial licence this project was issued by government of India in Ju 1973. The detailed proj report is under preparati Studies for the selection o suitable site in the cotton b of the state have been co leted. The construction wo

this Rs 5.00 crore project,
likely to start in early, 1975.

lyester Staple Fibre

The technical collabora-
on and capital goods appli-
tion have been cleared by
e government of India. The
oject has been referred to
.F.W. (A West German
evelopment bank) for apprai-
l so that the foreign ex-
hange cost could be met from
e West German project aid.
new company for the im-
lementation of this Rs 18.00
ore project, is under forma-
on.

laize Starch, Glucose and extrose

The construction work on this Rs 4.00 crore project is likely to commence during the current year.

VHF Trans-Receivers

The detailed project report has been received. The company is under formation. The construction work on this project is likely to commence in early 1975.

Wood Combing

The licence for this project was issued by the government of India in March, 1974. Steps have been initiated for the transfer of assets of Messrs All-India Wood Combers Co-operative Society Limited, Ludhiana, to the corporation. It is hoped that this Rs 1.50 crore project would go into production during the year 1976.

Projects in Progress

The following projects, for which the corporation has received letters of intent, are making steady progress.

1. Electronic Components.
2. Kraft Paper.
3. Nylon-6 Filament Yarn.
4. Furfural. .
5. Oxygen Gas.
6. Soda Ash/Ammonium Chloride.
7. Caustic Soda.
8. Heavy Duty Alloy Iron Castings.
9. Malathion.
10. Gelatine.
11. Cold Rolled Strips.

The activities of the corporation are directed at achieving the objective of the state government to bring about rapid industrialisation so that this predominently agricultural state may have balanced growth. In this task it looks forward to cooperation from enlightened and progressive entrepreneurs, professional managers and technicians and constant support and guidance of the central and state governments and the all-India financial institutions.

PUNJAB STATE
INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
Forges Ahead with Joint Sector
Following Projects have Recently Commenced Production

1. SWARAJ TRACTORS
2. STEEL BILLETS
3. DRY CELL BATTERIES
4. BREWERY
5. T. V. SETS
6. NYLON REINFORCED LEATHER BELTING.

Work on the Setting up of the Following Projects is Scheduled to Commence During 1974-1975.

1. SYNTHETIC DETERGENTS & TOILET SOAPS
2. GLASS BOTTLES
3. SCOOTERS
4. COTTON SPINNING MILL
5. AUTOMOBILE TYRES AND TUBES
6. PRECISION MEASURING INSTRUMENTS
7. ELECTRONIC COMPONENTS
8. POLYESTER STAPLE FIBRE
9. OXYGEN GAS
10. STARCH, GLUCOSE AND DEXTROSE.

PSSIC spreads its net wide

KANWAL NAIN SINGH

The Punjab State Small Industries Corporation Limited (PSSIC) has made phenomenal progress in the decade ending 1972-73. Whereas in 1962-63 its turnover was Rs 78.73 lakhs, it rose to as much as Rs 11.52 crores in 1972-73. Among its major functions are: (a) procurement and distribution of raw materials, (b) supply of machines on hire purchase basis, (c) supply of seed money as well as margin money for both working capital and purchase of machinery, (d) development of industrial areas and construction of industrial estates, (e) imports against actual users' licences and (f) registration of small-scale industrial units.

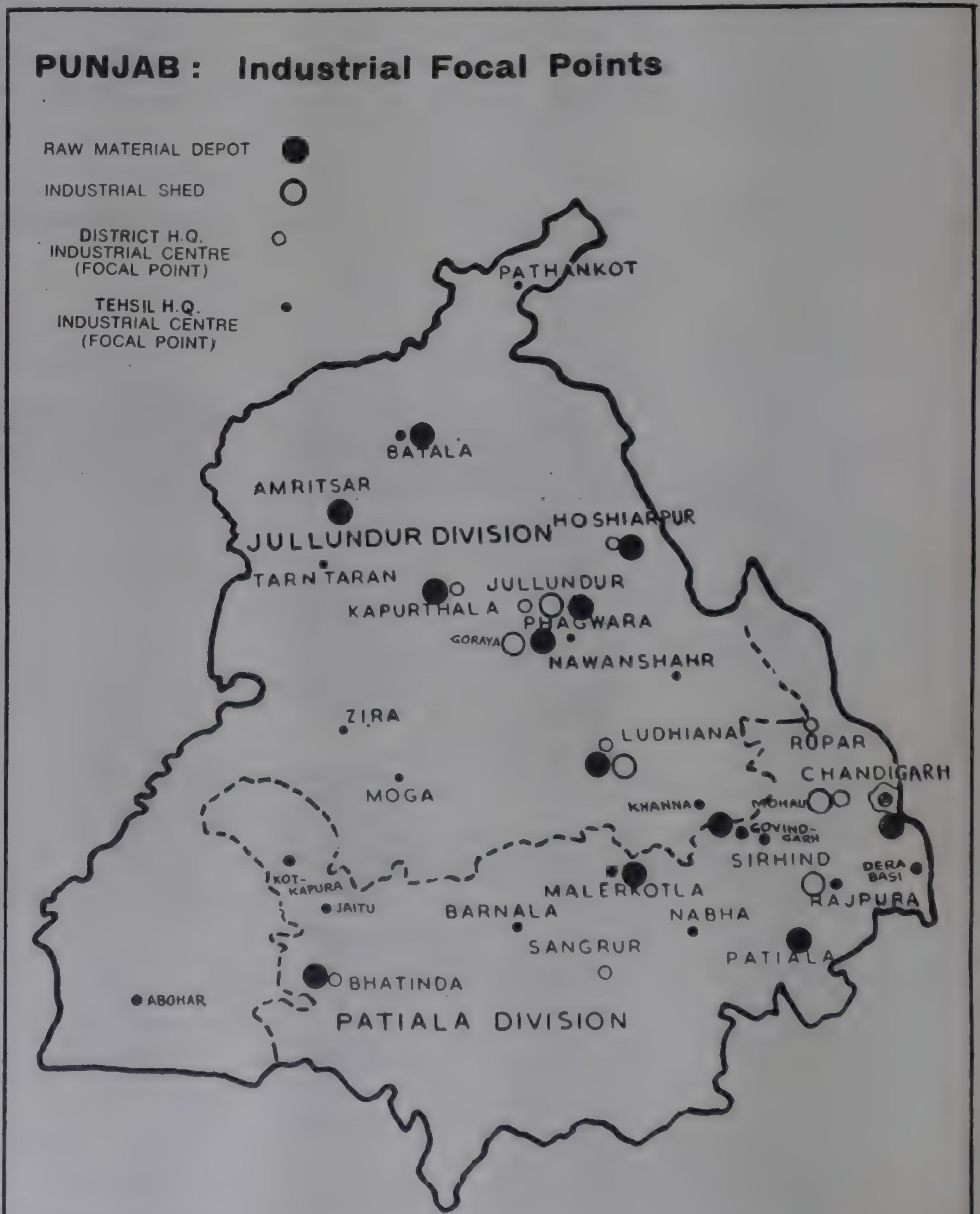
Equitable distribution

The procurement and distribution of scarce raw materials is one of the most important activities of this corporation. It makes bulk purchases of raw materials and supplies them to the small-scale industrial units in accordance with the policies laid down by the Director of Industries, Punjab government. Among the raw materials distributed by it are pig iron, iron and steel, coal, coke, stainless steel, tin plate, zinc, aluminium, tallow, palm fatty acid, chemicals, cotton yarn and staple yarn. In 1973-74, it procured and distributed more than 41,000 tonnes of pig iron and 48,000 tonnes of iron and steel.

In order to help the small-scale industries get established in the state, the corporation assists in particular the educated unemployed. The corporation supplies them machines on hire-purchase basis. During the three years ending in 1972-73, machines valued at nearly Rs 19 lakhs were supplied to 67 small-scale units. The government of Punjab has evolved a number of schemes to help the educated unemployed, particularly the engineers. The qualified engineers are no doubt keen to set up their own industries but they fail to get any financial assistance from the banks and other financial institutions as they have no resources of capital and have no collateral to offer by way of guarantee. In order to overcome this difficulty, the PSSIC has evolved a scheme whereby seed money is provided to budding entrepreneurs. The seed money is usually equivalent to 10 per cent of the total investment under a scheme. A matching contribution is to be made by the entrepreneur. The balance amount required for the implementation of the scheme is obtained from the financial institutions. The corporation provided more than Rs 32 lakhs to 107 industrial units during 1973-74.

The corporation has undertaken to develop industri areas and to construct indu trial estates for the educate unemployed. A separate wir has been established in th corporation to attend to th problems of this group applicants.

It has been decided by th Punjab government to develo industrial areas at the follov ing 25 places in addition the three focal points Mohali, Dhandari Kalan ar



PUNJAB : Industrial Focal Points

RAW MATERIAL DEPOT ●
INDUSTRIAL SHED ○
DISTRICT H.Q. INDUSTRIAL CENTRE (FOCAL POINT) ○
TEHSIL H.Q. INDUSTRIAL CENTRE (FOCAL POINT) •
PATHANKOT
BATALA
AMRITSAR
JULLUNDUR DIVISION
HOSHIARPUR
TARN TARAN
JULLUNDUR
KAPURTHALA
PHAGWARA
GORAYA
NAWANSHAHR
ZIRA
LUDHIANA
ROPAR
CHANDIGARH
MOGA
KHANNA
MOHALI
GOVINDGARH
SIRHIND
DERA BASI
KOT-KAPURA
JAITU
MALERKOTLA
BARNALA
NABHA
RAJPURA
SANGRUR
PATIALA
BHATINDA
ABOHAR
PATIALA DIVISION

Mr Kanwal Nain Singh is the managing director of PSSIC.

PUNJAB TAKING RAPID STRIDES

The progress of the past two and a half years has been spectacular in implementing the target oriented programmes.

27 lakh tonnes wheat was contributed to the central pool last year as compared to 18 lakh by all other states. Contribution for this year too will be in the neighbourhood of 60 per cent.

11,917 out of 12,138 villages were linked with main roads.

Total length of metalled roads constructed being equivalent to seven times the distance between Srinagar and Cape Comorin.

6,700 small-scale and 5 large-scale industrial projects were set up.

86 letters of intent got issued and goods worth Rs. 63.71 crores exported. 24 new complexes also selected.

7,230 villages provided electricity, Rs 8 crores provided this year to electrify all the remaining villages.

5 lakh children for primary education were enrolled.

House sites to over 1,86,000 families were allotted.

Punjab is the first state to introduce 'Medical Manthan' to remove urban rural imbalance of medical services.

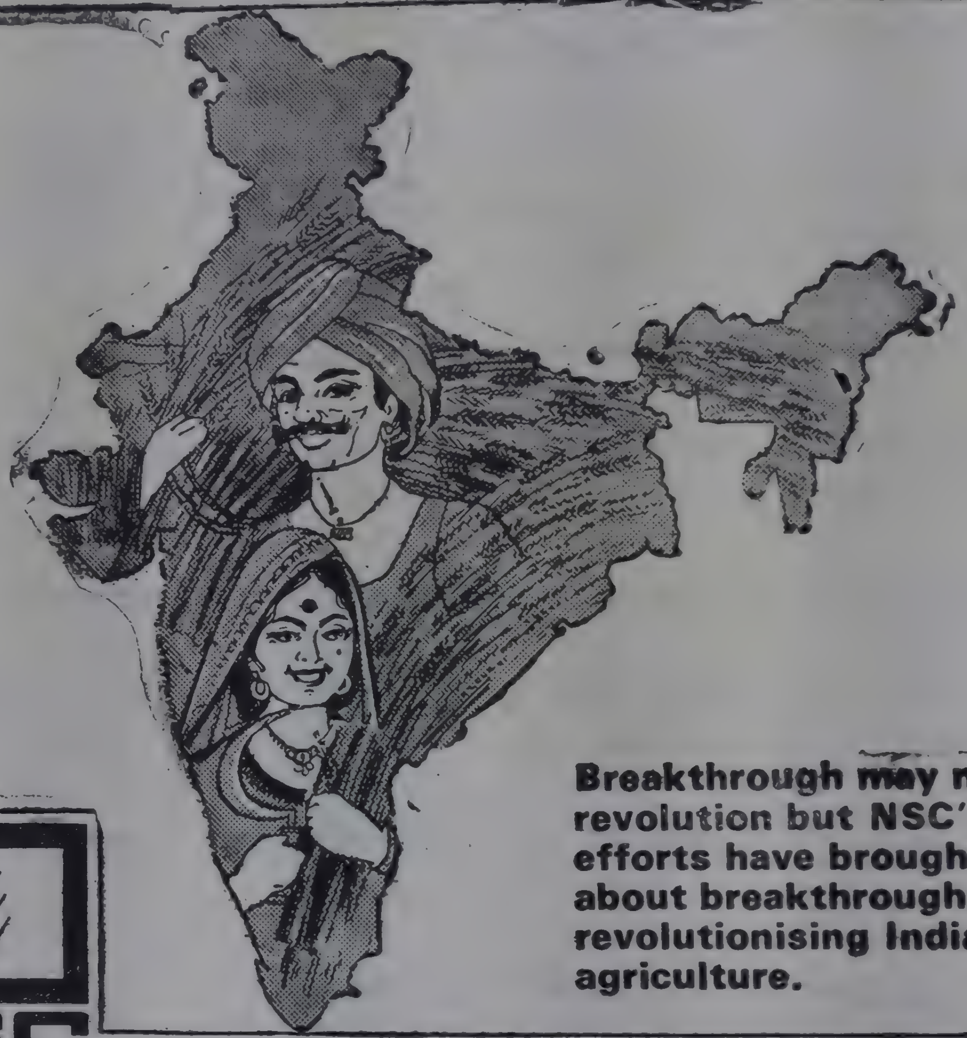
1/3rd rural population already covered.

Several crores of Rupees were spent on constructing of Dharamsalas, Chaupals, electrification of Harijan Bastis, providing drinking water facilities, pavement of streets and provision of drainage for the benefit of Harijan and backward classes.

The people of Punjab have dedicated themselves to the glorious task of nation building.

PRD/7/633

Making India Self Sufficient in food



INTERADS/NSC/II

Breakthrough may not be revolution but NSC's efforts have brought about breakthroughs revolutionising Indian agriculture.

NSC is proud of its contributions

**Introduction of seed certification for the first time in India; *Popularising newest hybrids and varieties; *Multiplying seeds of earlier imported varieties; *Organising, designing and indigenous production of modern seed processing and testing equipment; *Creating hard core of farmers capable of producing high quality seeds; *Providing extension, publicity and training services.*

These contributions have built up confidence of Indian farmers for making India self-sufficient in food.

A good cultivator uses only NSC seed.

A progressive farmer joins NSC in producing high quality seeds of latest varieties and hybrids, on scientific lines, to meet country's needs.

If you are interested in taking up seed production under NSC's Quality Seed Production Programme, please contact immediately for details.

National Seeds Corporation

Serving the Seed Industry and farmers all over the country !

Head Office : 4-E, Jhandewalan Extension, Rani Jhansi Road, New Delhi-110055
Regional Office : 99, Sector 18 A, Chandigarh.

ajpura (see table at the end). hese focal points are suffi-iently advanced in regard to he development of new industries. The construction of 206 ndustrial sheds at Mohali, Dhandari Kalan, Rajpura and ullundur has already been ndertaken. It is hoped that hese sheds will be completed y the end of the current year. They will also be speedily llotted to industrial units.

In order to provide technical guidance, project reports, feasibility reports and important information with regard to various developmental schemes and policies of the government, the corporation has set up the Punjab Industrial Consultancy Organization. Already the chief consultant and some other junior officers have been appointed. They have started providing technical advice to industrial units in Punjab. The central aim of this consultancy organization is to assist the entrepreneurs who are planning to set up viable industrial units in the state.

The corporation started its export activity in a small way in July 1971. The chief difficulty faced by exporters from this state is the inadequate supply of such raw materials as steel. The corporation has therefore given top priority to the task of replenishing raw material requirements of manufacturing units which are taking up export orders. Various industrial products worth nearly a crore of rupees have so far been exported by business associates of the corporation.

In addition, the corporation assists industrial units in the procurement of imports against actual users' licences. The corporation imported raw materials worth Rs 16.32 lakhs in 1973-74 against actual users' licences. Also the corporation has set up six emporia at Amritsar, Ludhiana, Jullundur, Patiala, Chandigarh and New Delhi where goods manufactured in cottage and small-scale industries of the state are sold. The total sale of the emporia in 1973-74 was worth Rs 55.62 lakhs.

The corporation is also running a hosiery work centre at Ludhiana which was purchased from the Punjab government Industries Department in 1966. This centre manufactures hosiery items for home guards, military and police departments and also for the civilian population. The centre also makes supplies against tenders invited by government departments. The annual output of the centre is about Rs 10 lakhs.

The corporation has registered no less than 178 small-scale units which undertake to provide their products to the Controller of Stores, Punjab. These units are given 15 per cent price preference in accordance with the policy of the Punjab government which is designed to help the small-scale units.

Industrial Centres in Punjab

Centre	Area to be developed
1. Jullundur	100 acres
2. Phagwara	100 ,,
3. Moga	100 ,,
4. Bhatinda	50 ,,
5. Hoshiarpur	102 ,,
6. Sangrur	50 ,,
7. Khanna	114 ,,
8. Malerkotla	50 ,,
9. Goraya	109 ,,
10. Nangal	25 ,,
11. Kapurthala	50 ,,
12. Gobindgarh	100 ,,
13. Batala	50 ,,
14. Sirhind	25 ,,
15. Ropar	50 ,,
16. Abohar	25 ,,
17. Kotkapura	25 ,,
18. Kubarakpur, Zirkapur, Dera Bassi, Lalru	100 ,,
19. Zira	50 ,,
20. Nabha	50 ,,
21. Barnala	25 ,,
22. Nawan Shahr	100 ,,
23. Tarn Taran	—
24. Pathankot	50 ,,
25. Jaitu	—

Cooperatives for rural prosperity

S. L. KAPOOR

IN ORDER to recover loans advanced by the cooperatives, it has been recently decided to first get the previous loan repaid before a fresh one is made to a member. Usually 15 days are allowed to lapse before sanctioning a new loan which may be higher or lower than the one which has already been repaid.

The loss incurred by farmers due to natural calamities, however, puts the cooperatives in a complicated ituation. When the loans are made, the cooperatives take the view that the farmer will be able to get an average return from and against all the investments he has made. Even in the worst years, the farmers have a high chance of getting average return from land. Even though the current paddy crop is not very promising in some areas, the cooperatives in Punjab are hopeful of good recovery. This belief is based on the understanding that the return from the present paddy crop will be average and not excellent as was earlier expected.

In the extreme situation where the cooperative is not able to get back the loan which has been made to the farmers due to natural calamities, what are the options open to a cooperative? As an alternative, this loan can be converted into a medium-term loan i.e. loan payable in three years. The farmer would not be called upon to immediately part with the stipulated sum. Also, it is not possible for the cooperative to write off the loan completely simply because the crops have failed. As an alternative, the state government can underwrite a part of the loss but, as it is, the finances of the state government do not permit such a contingency.

The cooperative, therefore, has no option but to recover the funds advanced as far as possible. The chances are that the farmer will like to pay off the previous loan because he will be equally keen to contract a fresh loan for the coming crop. There is no doubt that the question of repayments needs more attention and there is room for improvement in this regard. As compared to other states the cooperatives in Punjab have a good record regarding recoveries.

Punjab had a market surplus of 3.3 million tonnes of wheat in 1971-72 which came down to 2.8 million tonnes in 1972-73 which further dropped to two million tonnes in 1973-74. The marketable surplus in Punjab has been going down year after year. Despite this declining trend, the recovery of the cooperatives in Punjab has been maintained between 60 and 65 per cent.

In regard to long term loans, the recovery rate is between 96 to 99 per cent. Through these cooperatives, about Rs 60 crores have been advanced by way of short and medium term loans and Rs 16 crores every year by way of long term loans. A long-term loan is one which extends for more than five years. A short-term loan is one which does not exceed beyond 12 months. The medium-term loan ranges between three and five years.

Mr S. L. Kapoor is secretary, lepartment of Public Relations and Industries, Punjab.

Markfed makes its mark

A. S. POONI

THE PUNJAB State Cooperative Supply and Marketing Federation Ltd (Markfed) is an apex body. It has built an extensive infrastructure of cooperatives and has branched out into a number of fields. In fact, it has attempted to cover the totality of the needs of the farmer. All the inputs needed by the farmer as well as the facilities required by him are provided by Markfed. The farmer can get not only fertilisers and seeds but also tractors, diesel engines, etc. through Markfed. Markfed also undertakes spraywork through an aviation unit of its own for the benefit of the farmers.

Markfed is 21 years old. It started operating towards the end of 1953 with a capital of Rs 60,000 only. Today its equity capital is Rs 13.2 million out of which Rs 9.9 million have been provided by the state government. The rest of the shares have been purchased by the cooperative marketing societies.

Cooperative effort

In Punjab, each market is regulated and in every market there is a cooperative marketing society. It is these marketing societies which elect the board of directors of Markfed. The managing director is nominated by the state government. The annual turnover of Markfed last year was Rs 242.00 crores. For financing its operations, Markfed seeks the assistance of banks. Having established its creditworthiness with all the major banks even at a time when financial stringency was being experienced and the Reserve Bank had imposed a credit squeeze, Markfed could start a new project costing as much as Rs 7 crores; its progress would not be held up for want of funds. With an equity capital of Rs 13.2 million, Markfed has working capital of Rs 12.00 crores and owns assets of Rs 22.00 crores. Markfed has evolved a system whereby it is able to make prompt recoveries from its members. Even in a bad year the recovery rate is of the order of 62 per cent. The table below sums up the financial performance of Markfed industrial units in 1972-73 and 1973-74.

Apart from this, Markfed has built over the last few years a grain storage capacity of 454,000 tonnes under a scheme for godowns sponsored by Agricultural Refinance Corporation (ARC). The federation is a major agency of the state for procurement of wheat and has touched a peak of one million tonnes of purchases in one year. Even under the modified purchase policy, the organisation was able to purchase in open competition 462,000 tonnes of wheat, half of which was given to the central pool and even the levy-free stocks have been distributed under the guidance of the state government so that these stocks may be used for the public distribution system in deficit states. Markfed also worked as agent of the Cotton Corporation of India and was able to procure for it cotton of the value of 28 crores of rupees.

Another contribution of Markfed has been the starting of inter-state trade in the cooperative sector at apex level. Working in this direction, Markfed was the sole agency which supplied 40,000 to
of bajra during the crisis pe
in Gujarat, apart from ma
purchases of other ce
for such states as Bihar
Himachal Pradesh.

Today, Markfed has in h
a massive programme of su
of fertilizers of the value o
75 crores to the farmer
Punjab for the rabi crop a
from programmes for the
ply of seeds and insectic
In short by trying to keep
with the increased and div
fied demands of the farm
Markfed is well on the wa
becoming their major a
tant and guide. In the
cess it is fast becoming a
bol of the strength of coop
tive effort in agricult
production.

Markfed: Profit (+)/Loss (—) of Industrial Units in 1972-73 and 1973-74

S. No.	Name of unit	1972-73 (Rs lakhs)	1973-74 estimated upto 31-5-1974 (Rs lakhs)	Proportionate profits in 72-73 for 11 months (Rs lakhs)	Estimated increase/ decrease in 73-74 over proportionate profits/ loss in 1972-73 (Rs lakhs)	
1.	Punjab Fertilizers, Ludhiana	(+) 3.8	12.8	3.50	9.30	
2.	Markfed Fertilizers, Dhuri	(+) 2.8	14.6	2.53	12.07	
3.	Markfed Fertilizers, Anandpur Sahib	(Under const)	28.3	—	28. 3	
4.	Markfed Vanaspati Plant, Khanna	(+)10.6	40.3	9.70	30.60	
5.	Markfed Canneries, Jullundur	(—) 7.7	(—) 13.9	(—) 12.10	(—) 1.8	(—
6.	Formulation Plant, Mohali	(+) 2.9	(+) 4.28	2.64	1.64	
7.	Cement Pipe Plant, Ropar	(+) 0.2	0.36	0.18	0.18	
8.	Cement Pipe Plant, Sarna	(+) 0.5	0.21	0.44	(—) 0.23	(—
9.	Modern Rice Mill, Patiala	(not commissioned)	0.25	—	0.25	
10.	Modern Rice Mill, Rajpura	—(do)—	1.84	—	1.84	
		(+) 13.1	89.04	6.89	82.15	

Note: 1. Figures for 1972-73 have been taken from the balance sheet and have been brough
par with those of 1973-74 to make them comparable.
2. Figures for Combines Harvester Unit and Agro Aviation Unit have been exclude
comparable figures for two years are not available. In the case of Combines Ha
Unit, the main Wheat Season 1974 is still continuing. In the case of Agro Avi
Unit, some of the operations are continuing making comparison with 1972-73 in
3. In the case of Jullundur Canneries, the stock evaluation has been done conserva
at sales or market price whichever is less. Besides last year's production Markfed h
tonnes or dehydrated peas, 23 tonnes canned peas, curried cabbage, *sarson ka saa*
which are expected to yield more than Rs 2½ lakhs of profits as soon as sale is ma

---

Mr A. S. Pooni is the managing director, Punjab State Cooperative Supply and Marketing Federation, Ltd, Chandigarh.

ood for the hungry

THE WORLD Food Conference which opened in Rome on November 5, 1974, brought together politicians, economists, experts and consultants to thrash out a solution for the problem of finding food
ome countries which have been unfortunate victims of natural calamities in recent
s. Bangladesh, some countries of Africa and some parts of our country have already
ged the attention of not only the governments there but also of the developed coun-
who have shown some keenness to assist in this regard. The problem of food shor-
has not dawned on the world all of a sudden but is the cumulative effect of a num-
of factors not the least of which is the steady increase in population which in some
eloping countries has exceeded the rate of increase in food production. Also the
and for food has increased while the food inventories of the world have during
past decade steadily come down. If in 1961 the world stocks of foodgrains were
ugh to feed the whole population of the world for about a hundred days, the pre-
level of reserves may not last even 25 days and, if this trend continues, the reserves
drop to a level which may be sufficient for the world population for hardly a week.

Dr Kurt Waldheim, UN Secretary-General, made a fervent appeal to the industri-
ed countries of the world to put up $5,000 million in the next five years so as to
vide food assistance to the needy developing countries. He also urged the develop-
countries to recast their economic development plans by laying increased stress on
iculture, especially food crops. He rightly told the world's food ministers, officials
others gathered in the Hall of the Palace of Congress in Rome that the stage for
rds was long over and that immediate action was called for if the deliberations of
conference were to result in any concrete action. The central theme of his address
ated to the need for national and international action to ensure some insurance
inst food famine in the poor countries of the world.

It is true that the solution of this problem in the short term hinges on the atti-
de of the food-surplus countries led by the USA. Dr Henry A. Kissinger, the US
cretary of State, in his address listed five points, namely, increasing the production of
od exporting nations, accelerating production in developing countries, improving
eans of food distribution, financing food operations and providing security against
od emergencies. Surely the last point had great immediate relevance and in this regard
Kissinger proposed the establishment of an internationally coordinated world-wide
serve of foodgrains at 60 million tonnes above the present carryover stocks.

The analysis of the problem put forward by Dr Waldheim as well as Dr Kissinger
as undoubtedly flawless but the central question remained: Who will bell the cat?
seemed that the Rome conference emerged as a confrontation between the developed
nd the developing countries. The representatives of the developing countries com-
ained that there were hardly any signs of the developed countries coming forward to
elp the poor countries of the world in a really satisfactory manner.

It was Mr Jagjivan Ram, our minister for Agriculture and Irrigation, who put
orward the idea of a food security council on the same lines as the UN Security Council
hich should be armed with sufficient power to evolve a world food policy and guide
nd implement it. He refuted the charge of the developed countries that the develop-
ng countries had exhibited lack of will to raise the level of food production. Mr Jagji-
an Ram pointed out that the developing countries suffered from paucity of resources
hich was the direct outcome of their historical background as well as the existing
tructure and pattern of world trade. If the conference was not to be reduced to the
tatus of a jamboree where participants from both the developing and the developed
ountries got away with platitudes, it would be necessary to devise some kind of ma-
hinery for follow-up action. Mr Jagjivan Ram laid great stress on this aspect of the
roblem.

Whatever the outcome of the deliberations at Rome, the developing countries

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will have to learn to manage their own affairs with increased self-reliance. They might get some doles which would meet only a fraction of their needs, but the bulk of the requirements of the people of these poor countries will have to be met through their own resources. The prosperity brought to some parts of developing countries through the green revolution in the recent past is proof positive of the capacity of these areas to be able to manage their affairs through their own efforts. Perhaps it would be unwise to be looking outward all the time for help when a significant increase in output can be attained through self-help and self-reliance.

Bonds with Bonn

TWO TEAMS of Indian nuclear and energy experts were in the Federal Republic of Germany recently to discuss energy policy and joint research projects. The visits were significant in the context of West Germany's intensive efforts to hasten the pace of research and development concerning new sources of energy. The chairman of the Atomic Energy Commission, Dr Homi Sethna, and the head of the Bhabha Atomic Research Centre, Dr Raja Ramanna, were the guests of the Bonn Foreign office. A three-member Indian government delegation of energy experts, headed by Mr K.S.R. Chari, Secretary in the ministry for Steel and Mines, and including Dr M.G. Krishna, director of the Central Fuel Research Institute at Dhanbad, and Mr H. N. Sharan, head of the Research and Development Department of Bharat Heavy Electricals, visited the Federal Republic last month for detailed discussions about joint research projects.

An interesting element of Indo-German cooperation has been that in recent years, increasing attention has been devoted to sophisticated areas, particularly after the conclusion of an agreement early this year on cooperation in the fields of science and technology. This is in addition to the 1971 Indo-German agreement on collaboration in the fields of peaceful uses of nuclear energy and space research. The scope of the new agreement is much wider. An effort is being made to establish links between Indian and German institutions in the fields of geology and geophysics, medicine, biology, metallurgy and coal research. After the oil crisis, gasification as well as liquefaction of coal has attracted both the countries.

West Germany achieved the premier position in respect of foreign collaborations with Indian entrepreneurs in 1973. As against 61 new approvals with West Germany, collaborations with the US firms were 48 followed by 53 with the UK and 38 with Japan. Indo-German collaborations are no drain on Indian foreign exchange resources in the sense that they earn more for this country than they spend. A recent survey of nearly one-third of Indo-German collaborations revealed that their total exports amounted to Rs 9.70 crores, Rs 9.30 crores and Rs 11.16 crores during the years 1970, 1971 and 1972 respectively. The figures of the total transfer by way of dividends, licence fees and interest payments of all Indo-German collaborations operating in this country were Rs 3.14 crores in 1969-70 and Rs 4.44 crores in 1970-71. This revealed the significance of the Indo-German collaborations as foreign exchange earners for the country. It may be added that the foreign partners gave valuable assistance in reaching a breakthrough in exports. It has been estimated that nearly half of the Indo-German collaborations were actively assisted in their export efforts by their collaborating partners.

Mr A. N. Kilachand, President of Indo-German Chamber of Commerce, pointed out recently that interest in Indo-German industrial cooperation existed especially among medium-sized companies which were centred around Stuttgart and Munich, as well as the Ruhr district. It was also a fact that many of these companies offered highly advanced technology, he added. Mr Kilachand asked the government of India to consider permission for marginal

Industrywise Split-up of the Indo-Gern Collaborations in 1973

Industry	Numb of approv
Electrical Machinery, Materials and Apparatus	
Automobiles, Tractors, Locomotives, other Vehicles and Ancillaries	
Industrial Machinery (General)	
Other Industries (Engineering)	
Other Industries (Non-Engineering)	
Textile Machinery	
Instruments and Hand Tools	
Ferrous and Non-Ferrous Metal Products	
Machine Tools and Small Tools	
Chemical and Pharmaceutical Products, Rubber, Synthetic Resins, Paints	
Consulting and Engineering Services	

Regional Break-up of the 1973 Ind German Collaborations

Region	Numb of approva in 197
Bombay/Poona	
New Delhi	
Bangalore	
Calcutta	
Gujarat (Baroda 2; Broach 1; Vidyanagar 1)	
Madras	
Uttar Pradesh (Ghaziabad 2; Agra 1)	
Coimbatore	
Udaipur	
Faridabad	
Orissa (Kansbahal)	

ajority participation for foreign inves- rs during the first three years of a new int venture. This, he stated, would go long way in removing the "psy- ological barrier" of many small and edium-sized firms in West Germany hich could offer valuable technologies to eir prospective Indian partners.

This country has been promised an sistance of 360 million DM (Rs 108 ores) during the financial year 1974-75, 16 per cent increase over 1973-74. The greement increasing financial assistance is year is an expression of the close ooperation between the two countries. his country has received the largest hare of development assistance given by Vest Germany to all developing coun- ies, and is estimated to be about one- hird of the total bilateral commitments f that country. Up to 1973-74, Federal epublic's assistance for India's economic evelopment had reached a total of 5.9 illion DM (Rs 1,770 crores) and has een distributed between project assistance, capital goods credits, commodity credits, loans to financial institutions and debt relief. There has also been a qualitative improvement in this assistance with a softening of the credit terms. The West German assistance is completely untied and enables this country to procure goods and services from any part of the world to her best advantage.

Mention may be made here of the new guidelines set early this year by the Federal Republic of Germany for its technical assistance. The central idea of this concept is to mobilise the resources of the developing country itself instead of supplying projects on turn-key basis. It has been emphasised that labour potential in the developing countries should be exploited and technical assistance should be designed to assist rural areas. Such assistance can take the form of German experts being sent for specific jobs or Indian experts being trained in West Germany. Assistance is also provided for economic surveys and studies.

Accent on production

HE FORTHRIGHT observation of the nion minister for Industry and Civil upplies, Mr T.A. Pai, in his address here n November 6 to the conference of state inisters of Industry, that "the only nswer to inflation is production and the nly answer to recession is also pro- uction" deserves pertinent notice for it ndicates the anxiety of the government o step up output. The logic behind this bservation, of course, is also not un- ound. Besides the disproportionate ex- ansion in the money supply with the ublic *vis-a-vis* growth in production in he past five years, global inflation and ost escalations on account of such other actors as under-utilisation of industrial apacities and high incidence of indirect axes, the primary cause of the recent up- wing in prices in our country is the wide- pread shortages of goods. Unless the ituation is rectified through increased out- ut, inflationary tendencies cannot be ontained effectively. The decline in the rices of several commodities, including some of daily consumption, witnessed since the third week of September, following credit squeeze and the anti-smuggling and anti-unaccounted money compaigns of the government obviously cannot be sustained for long because it has, to an overwhelming extent, resulted from the dehoarding of stocks. The dehoarded stocks cannot be expected to last long. The improvement in the supply situation can be maintained only if production is stepped up.

Similarly, production is the only ultimate answer to recession in our country because it is primarily through increased output that production costs can be rationalised and brought within the means of the hard-pressed consumer, although the high incidence of customs and excise duties as well as the impact of credit squeeze cannot be ignored. What hurts the consumer most is the jacking up of prices due to physical shortages of goods. Besides hurting the consumer, this phenomenon also distorts the contours of the industrial scene. If costs and prices can be rationalised through higher output, a proper equilibrium can be established between demand and supply which would help facilitate future investment decisions. Higher output will also help in reducing at least to some extent production costs and obviate artificial creation of scarcities which assist in jacking up prices. Demand can, thus, be revived and recessionary tendencies warded off by and large, although this might not be possible in industries the consumption or the purchase of whose products can be postponed by consumers.

Equally significant are the observations of Mr Pai in respect of the utilisation of the existing industrial capacities as well as the direction to be given to future investments in industry. In view of the severe constraints of power, raw materials, financial resources, etc., it is apparent that the needs of all the segments of industry cannot be met adequately. The approach, therefore, has to be very selective. The government necessarily has to draw up a programme to identify the industries which have to be sustained as a priority basis. Mr Pai has grouped in this category all those industries which provide for infrastructure and capital goods with the industries manufacturing mass consumption items. On this, of course, there can be two opinions. The immediate task is the raising of the production of mass consumption goods and the stepping up of the output of equipment and raw materials required by the industries producing them. For a couple of years, indiscriminate expansion of the capital goods and infrastructure industries would only add to the inflationary tendencies because of their long gestation periods. Of course, from the long-term point of view, Mr Pai's emphasis on the inclusion of these industries in the core programme also is not unwarranted. Obviously, a judicious balance has to be struck between the immediate future and the long-term requirements.

Following from the above analysis is the plea of Mr Pai for a change in the approach to licensing of industrial units. As he has observed, there is no point today in issuing a large number of letters of intent and industrial licences for all kinds of items. Letters of intent and industrial licences for some time at least will have to be issued on a priority basis to meet the immediate requirements. Unless this is done, the scarce resources of the public financial institutions, on which industrial entrepreneurs have come to depend to an overwhelming extent owing to the sluggishness in the stock market, will come under heavy pressure and it will not be possible to meet the requirements of the priority sectors squarely. The same will be the case in respect of other inputs. What is needed at present is concentration of efforts on specific fields of industrial activity and not their diffusion over a wide sphere. Export-oriented industries, of course, deserve all assistance. Significantly enough, the state Industry ministers pleaded that the manufacture of luxury items too need not be severely curtailed if these goods can be exported.

The suggestion of Mr Pai that in view of the need for a selective approach to licensing of industrial units, a review should be effected of the letters of intent remaining unutilised for a number of years both with the private and the state sectors is equally wholesome. So also his stress that once a letter of intent is issued after thorough examination, all assistance should be made available to its holder for translating it into a production unit as expeditiously as possible. Such a review should help in eliminating the pre-emptive type of letters of intent which have been issued in the last two or three years, particularly to the state industrial development corporations on the dogmatic consideration of fostering the public sector.

Mr Pai has also quite appropriately emphasised that the Industrial Development and Regulation Act as well as the Industrial Policy Resolution should be given a new orientation. The negative approach adopted under this act and the policy resolution of not allowing larger industrial units to expand to optimum levels, although this might be required not only on economic but also social considerations, is hardly what is needed today. If an industrial unit is not to be allowed to become sick or languish, it has to be allowed expansion to its optimum level. Ideological considerations ought not be allowed a sway in this field.

It is further heartening that Mr Pai has stressed the need for attuning the pricing and distribution policies of the government to the urgent task of stepping up output. Instead of rigid price and distribution controls, he feels that new industrial units should be allowed a fair return on capital employed. Rigid controls obviously go against the interests of prospective entrepreneurs and instances are not wanting of how stringent controls have hampered investments and instead of improving the situation, worsened matters in the long run.

Industrialisation of backward areas came up prominently for discussion at the state Industry ministers' meet. The anxiety of the state governments to industrialise these areas can well be appreciated. But it has to be recognised by the state governments that unless they take concerted steps to build up infrastructure facilities in these areas, mere grant of concessions cannot attract entrepreneurs to these regions. The plea of some state ministers that the large industrial houses should be allowed to set up industries based on local raw materials even though such industries do not in the core sector in which the large hou are allowed to operate, if accept should, however, facilitate to some ext the growth of industry in the backwa areas. In view of the fact that the bui ing up of infrastructure facilities in backward area is a time-consuming p cess, the fixing of a deadline for la industrial houses for setting up manuf turing units in these areas, as suggest by some state ministers, will not be a s in the right direction.

The proposed weeding out of bogus dustrial units in the small-scale sector such units are said to account for nea 25 per cent of the small-scale manufact ing concerns — should help in improvi the supply position of the scarce r materials for the genuine produce There can be no denying the fact that t allocation of scarce materials to the bog units, which are traded on to the genui manufacturers at high premia, has add to the inflationary tendencies in t country to no small extent.

Eastern Economist 30 Years Ago

NOV. 17, 1944

Disappointment and dissatisfaction at the way the food problem in India has been tackled constituted the keynote of the speeches made by all sections of the Assembly while Government spokesmen indulged in self-praise which is wholly incomprehensible. What is the criterion by which to judge the success or failure of the food policy? It is to secure food to the people, sufficient both qualitatively and quantitatively, to ensure health and reasonable well-being, having regard to normal standards. Has the Government of India fulfilled this elementary obligation of a civilized Government? Sir A.P. Srivastava felt that they had done "extraordinarily well," while Dr. Rao, A government nominee, almost pathetically pleaded for "some little credit" for what they had achieved.

The Food Member recounted the achievements thus: "We have secured the recognition and adoption of an all-India policy steadily pursued with a common direction and a comm aim." Presumably, the "common aim" was ensure food for all and rationing was the me to achieve that end. And yet so far it rema merely a wish that "the statutory ration in In should not fall below 1 lb. a day," while it actu ranges between 6 ounces and a pound. Then th is the question of prices. The Food Memb second claim was the control of prices "wh have shown a steady downward trend." But, is well known, not the prices of all foodgrains h been controlled, and although a measure of sta lity, it may be conceded, has been achieved in gard to cereals, the prices of other food arti have continued high, especially those of the tective foods. Deaths from starvation in cutta have not yet altogether ceased, and ob vers who recently toured the interior of that af ted province, found men and women in the lages who were utterly destitute.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Iron Ore Exports • Steel Availability and Prices • IDPL's New Strains • Ancillary Industries

THE ACCEPTANCE, though in principle only, at the ministerial level meeting of he iron ore exporting countries at Geneva last week, of the proposal to form an association of these countries to secure a fair and suitable price for the exports of this ore has been received here with a good deal of satisfaction. The idea will receive concrete shape at the hands of a small preparatory committee, which has been set up to examine in depth the form and provisions for the proposed body. This committee, of which India is the chairman, will meet in New Delhi in January and report to another meeting of the ministers of the iron ore exporting countries to be held in March or April next year.

cooperative action

Although the proposal encountered some rough weather in the initial stages of the last week's Geneva conference, because two countries — Algeria and Venezuela — wanted that the association should be on the lines of the Organization of Petroleum Exporting Countries (OPEC), of which they are members, some others, particularly Australia, Canada and Sweden, were against this. Unlike the OPEC's operations in the recent past, the latter countries desired the interest of the consumer countries also to be taken into account; they were in favour of a cooperative action and not action in a mood of confrontation. The preparatory work done by India in Australia and Brazil in the recent past and the moderate approach of our minister for Commerce, Prof D.P. Chattopadhyaya, the chairman of the Geneva meet, helped in sorting out matters.

Prof Chattopadhyaya's approach, of course, was fully in line with the stand the government of India has taken right since the proposal came to be seriously discussed last year. India desires the association to be forum for discussions among the iron ore exporting countries with a view to coordinating the national policies in the field of iron ore exports, the creation of international conditions for an orderly and healthy development of these exports, and ensuring of stable, equitable and remunerative world price level for iron ore and its semi-finished derivatives.

Although the proposal came to be seriously considered only last year, after the oil exporting countries were successful in sharply raising the international prices of crude oil, it has its genesis in the deliberations of UNCTAD II, held in New Delhi in February-March, 1968. At the UNCTAD II conference, iron ore was listed among the commodities requiring prompt consideration at intergovernmental consultations in order to identify the problems faced by this commodity and to find out suitable remedial measures.

The issue came to the fore last year when it was felt that although the prices of steel and some other essential inputs of the steel industry such as coking coal, had gone up substantially, those of iron ore had not risen correspondingly.

depleting assets

As was stressed at the last week's Geneva meeting, while the prices of steel exports have increased by 200/400 per cent during the past three years, the improvement in iron ore prices — a depleting, non-renewable asset of the exporting countries, majority of which are as yet developing — has been only marginal. This marginal improvement has also come after considerable time lag — in the last about 16 months. Even the prices of coking coal during the last two years or so have gone up at a more rapid pace than the prices of iron ore. The increase in the prices of coking coal has been nearly 200 per cent, as against 60/80 per cent in the case of iron ore. If due consideration is given to the improvement in the iron content of the exported ore — from about 50 per cent in 1950 to as much as 60 per cent in 1970 — and also to the substantial improvements in the chemical characteristics of the ore, even the recent increase in the prices of exported ore pales into insignificance.

What the major iron ore exporting countries like India desire is that the prices of iron ore ought to be correlated in a reasonable way to the prices of steel. The improvement in the prices of steel ought to be adequately reflected in the prices of iron ore. Unlike the unilateral action of the oil exporting countries to quadruple, in a short span of about a year, the prices of crude oil, the iron ore exporting countries expect the steel producers to appreciate the situation and voluntarily agree to improving it.

* *

Three important announcements were made by the union minister for Steel and Mines, Mr Chandrajit Yadav, in his address last week to the members of the Consultative Committee of Parliament attached to his ministry. The first was that despite considerable improvement in the supply position of steel, the government was not thinking of decontrolling this important commodity. Mr Yadav revealed that between April and October this year the availability of saleable steel had gone up to 3.66 million tonnes from 3.15 million tonnes during the corresponding period last year.

The integrated steel plants had contributed nearly 2.7 million tonnes of saleable steel, as against 2.479 million tonnes last year. The remainder additional supply was accounted for by imports and the increased output of mini steel plants. The operations launched by the government against hoarders and profiteers in steel and the restrictions placed on construction activity were the other major factors which had contributed to the improvement in the situation. The minister expressed the view that it would be erroneous to construe from the easier steel supply position that recession was round the corner.

With the improvement in railway movement, Mr Yadav said, the accumulated stocks at the steel plants had gone down from about four lakh tonnes in March to approximately three lakh tonnes. The availability of steel in the market, he hoped, would improve further as a result of the efforts being made to weed out bogus consumers, particularly in the small-scale industrial sector.

Mr Yadav, however, assured the members of the consultative committee that, as and when required, modifications in the distribution system would be considered. All efforts would be made to improve production further so that, apart from meeting the domestic requirements, exports could be increased to earn valuable foreign exchange. The production problems of both the integrated steelworks and the mini steel plants would be sorted out expeditiously.

The second announcement made by Mr Yadav was that the government did not intend to go slow with, or abandon, the setting up of the proposed steelworks at Visakhapatnam and Vijayanagar in spite of the difficult resources position. Before the year ends, the preparation of the detailed project reports for the two plants would be ordered. The work on the Salem steel plant, the minister assured, was progressing as scheduled.

The third announcement concerned the aluminium industry. Mr Yadav stated that there was "absolutely" no question of giving up the Ratnagiri project in Maharashtra or shifting it to any other state.

The minister called upon the mini steel plants to adjust themselves to the changed supply position and refrain from excessive profiteering. In view of the growing scarcity of scrap, he assured that the programme to produce sponge iron, using natural gas, would be pursued with vigour to provide an alternative input to mini plants.

In terms of the recently revised distribution policy, new stockyards, Mr Yadav said, would be opened soon at Poona and in the states of Haryana, Himachal Pradesh and Jammu and Kashmir.

* *

The Rishikesh plant of the public sector drugs manufacturing company—Indian Drugs and Pharmaceuticals Ltd—has planned to introduce during the coming months some new strains of streptomycin sulphate, tetracycline and griesfulvin. These have been developed from supplies from IDPL's collaborator, the Soviet Union. New isolates of strains of pencillin and oxytetracycline have also been made available by the Soviet Union. They are being tried out at the Rishikesh plant.

In view of the above development, the offers of some other parties, including Pfizers, to supply to IDPL improved technology for tetracycline and oxytetracycline may not find an easy acceptance, although the IDPL authorities assert that they are considering these offers in terms of the undertaking's plan to raise by 1978-79 streptomycin capacity to 120 tonnes, from 85 tonnes at present, and tetracycline capacity to 95 tonnes from 25 tonnes. The utilisation of the strains of the parties other than the Soviet Union depends on various factors, including the equipment and machinery of IDPL and the economic viability of the offers themselves. Significantly enough, it is pointed out that the Soviet Union has all along been making available improved strains developed by it.

Apart from raising the production of streptomycin and tetracycline, the fifth Plan expansion programme of IDPL includes establishment of a nicotinamide plant, augmenting of the capacity of the synthetic drugs plant and the setting up of a new formulation unit independent of the existing plants of the undertaking.

* *

With a view to fostering the development of small-scale industries, the definition of ancillary industrial units may be modified shortly. A green signal for this has been given by the state ministers of industries and the Small-Scale Industries board at their meetings here last week. The new definition is likely to be on the lines recommended recently by the Standing Committee on Ancillary Industries. According to this recommendation, a small-scale ancillary unit should be one engaged in the manufacture of parts, components, sub-assemblies, toolings, intermediates and rendering of services to the parent unit for production purposes, provided the unit suppiies
proposes to supply 50 per cent of i
production to one or more parent unit
and further provided that it is not a sul
sidiary to, or controlled by, any large uni

The effect of the change in the def
nition would be :

(i) units producing intermediat
would be brought into th
category of ancillaries—this ha
particular significance for th
chemical industries;

(ii) ancillaries can develop aroun
small-scale units also; and

(iii) servicing units such as san
blasting, machining, pressur
cleaning, grinding, etc., whic
undertake certain processes bu
do not produce parts, compo
nents, etc., would be brought int
the fold of ancillaries.

To some extent, the new definitio
may restrict the scope of the ancillarie
At present there is no stipulation regard
ing the percentage of production whic
an ancillary unit has to make availabl
to the parent unit. It is now propose
that at least 50 per cent of its output wi
have to be supplied by a small-scale un
to one or more parent units if it is t
qualify for consideration as an ancillar
unit.

Ancillary units are entitled to som
preferential treatment in their operation
particularly if they cater for the core an
defence seetors. They also receiv
financial assistance on a priority basis.

In view of the rise in capital costs du
to inflation, the union ministry of Indu
tries is also likely to soon revise th
capital ceiling for a small-scale industri
unit from the present level of Rs 7
lakhs to Rs 10 lakhs and of a small-sca
ancillary unit from Rs 10 lakhs to Rs 1
lakhs. Clearance has been given to th
proposal also by the Small-Scale Industri
Board.

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POINTS OF VIEW

The monetary screw and production

Sagittarius

THE NEW credit policy for the 1974-75 busy season announced by the governor of the Reserve Bank of India on October 29 has made an attempt to eliminate some of the complicating features of the policy for the last season and reduced the cost of borrowing for member banks from the central banking institution under the Bill Market Scheme and against refinance facilities. But there has been no significant relaxation of credit curbs and the monetary authorities have broadly indicated that the scheduled commercial banks will have to pursue the priorities newly determined for dispensing credit. Also, the lending institutions will have to be content with the use of fresh additions to deposits, after fulfiling statutory obligations, and the released funds for Rs 120 crores as a result of a reduction in the cash reserve ratio to four per cent from five per cent in two stages in December. A basic quota of Rs 100 crores has been fixed under the Bill Market Scheme and the discounting of bills within this quota can be effected at Bank rate. Fresh discretionary accommodation will be available at interest rates ranging between 10 and 15 per cent. There is also a basic quota of Rs 120 crores against refinance facility which can be used by member banks throughout the busy season.

new procedure

The financing of procurement operations will be carried out on somewhat different lines. The extent of refinance available in respect of procurement advances in excess of Rs 300 crores has been limited to 50 per cent until they reach Rs 450 crores. There will be full refinance in respect of credit in excess of Rs 450 crores. The new procedure will be slightly more advantageous to the lending institutions as the outlay out of owned resources will be only Rs 50 crores against an advance of Rs 100 crores above Rs 300 crores. Under the earlier arrangement there was no refinance up to Rs 400 crores though there was full refinance after this limit. The net benefit derived by the banking system by way of refinance facilities will be Rs 25 crores when procurement credit reaches the level of Rs 450 crores. New refinance will, however, be more costly at 10 per cent though the lending rate also for procurement credit has been raised to 12 per cent.

busy-season needs

No estimate has been made of the needs of borrowers during the busy season as there are many uncertainties and it was argued on the last occasion that the Reserve Bank had to revise its own estimates and permit expansion of credit for a gross amount of Rs 1175 crores including procurement finance of Rs 190 crores. It had been anticipated that the growth in advances would not be more than Rs 650 crores. The monetary authorities have, therefore, contented themselves by merely indicating what will be the quantum of resources available to member banks and how discretionary accommodation will be extended under the Bill Market Scheme and against refinance facilities. It has, of course, been helpfully decided that the cash reserve ratio will be reduced by one per cent to four per cent in two instalments in December. This will augment surplus funds of banks by Rs 120 crores.

No reliable estimates have also been made of the increase in deposits during the busy season though it is felt that the revised interests rates will be helpful in the mobilisation of additional resources. However, having regard to the uneven trends noticed in recent months it will be safe to proceed on the assumption that the growth in deposits in the six months ended April 1975 may not be more than Rs 650 crores. Allowing for the segregation of deposits to the extent of Rs 241 crores for fulfilling statutory obligations, the balance of Rs 409 crores can be utilised for granting fresh assistance to borrowers. The released cash balances of Rs 120 crores and the unused portion of the quota of refinance amounting to Rs 57 crores will also augment the pool of resources to a total of Rs 586 crores. The basic quota under the Bill Market Scheme had already been utilised fully as the outstanding amount on October 25, was Rs 108.10 crores while borrowing against refinance facility stood at Rs 63.33 crores on the same date.

The gross expansion of credit with the existing facilities and the resources in sight can not therefore be more than Rs 600 crores including even Rs 75 crores in respect of procurement credit out of owned resources against the gross credit of Rs 1175 crores in 1973-74. (Even allowing for the availability of procurement refinance for Rs 115 crores the adjusted expansion of credit was Rs 1060 crores.) There will, therefore, be a gap of Rs 460 crores if the trends in the last season are any guide.

readjustments completed

It may not, however, be necessary to provide assistance to all classes of borrowers in the coming months on the previous scale as imported inflation will not have the same distorting effect with the adjustment to the situation arising out of the big rise in oil prices having been largely completed. There may even be a reduction in requirements in some directions with the drop in prices of non-ferrous metals and some other items, but the requirements of public sector undertakings will be on a larger scale. Their output has been rising and the offtake of finished goods such as steel has not also been brisk. Again, some new developments have taken place which have been responsible for the increase in stocks of cloth and yarn and other consumer goods. The trade has not found it possible to hold stocks of previous dimensions because of the paucity of credit from bazaar sources. But for these new happenings there might have been a contraction in advances in October by about Rs 60 crores instead of an increase of Rs 41 crores that has been recorded.

It is now felt in industrial circles that the offtake of finished goods will assume normal proportions only after some weeks and stocks might increase further by another Rs 100 crores. Taking into account the various factors it will be reasonable to presume that credit expansion will have to be of the order of Rs 850 crores. There may not immediately be any difficulty in finding the required resources for meeting new needs in November and December. In November last year deposits rose by Rs 176 crores and advances by Rs 177 crores.

The rise in advances in the current month may not be more than Rs 125 crores and banks can meet this demand without even fully utilising refinance quota as deposits may increase by about Rs 175 crores in the same period. In December 1973, advances increased by Rs 283 crores and deposits by Rs 164 crores. These trends may be repeated as heavy payments will have to be made in respect of tax dues. The gap of Rs 180 crores after making the necessary adjustments in new deposits in respect of statutory obligations can be taken care of by the released cash balances and the unused portion of basic quota of refinance.

The decision of the Reserve Bank to reduce the cash reserve ratio by one per cent is therefore to be commended and banks will not be increasing unduly their borrowing charges. Actually they will be helped to augment their income utilising the released cash balances remuneratively. The first three months of 1975 however will witness a heightening of the credit squeeze as fresh deposits will fall far short of additional demand for credit.

In the first quarter of 1974 advances increased by Rs 412 crores against a rise in deposits of only Rs 136 crores and it was necessary to borrow heavily on a penal basis against refinance facilities even after making a liberal use of the Bill Market Scheme. In the first quarter of 1975 advances may increase to the extent of Rs 325 crores while deposits may not rise by more than Rs 125 crores. It will be helpful at this stage if the cash reserve ratio can be reduced to three per cent from four per cent. This decision may be taken in February. Even so, it will be necessary to grant discretionary accommodation for Rs 125-130 crores under the Bill Market Scheme. In view of these difficulties the Reserve Bank could have desired to fix a higher basic quota under the Bill Market Scheme ar also permitted a larger refinance quo of 1½ per cent of demand and time liab lities as at the end of last September.

The new credit policy has therefo many unexplained gaps though the fix tion of basic quotas and the reduction cash reserve ratio along with a loweri of the net liquidity ratio to 39 per cen will prevent that distortion in intere rates witnessed in the last season. It of course presumed that the statuto liquidity ratio will remain unchanged 33 per cent. If a helpful attitude is ado ted and the banks are enabled to tak quick decisions much of the confusio witnessed in the last busy season can b avoided and the drawing limits can b relaxed to facilitate production bein maintained at an optimum level. eve while there was unexpected accumulatio of finished stocks with some industrie due to a dislocation in the activities c traders. As there are genuine complaint about inadequate credit hampering pro duction and recessionary trends are emerging in some directions, any unimagina tive attempt to tighten the monetar screw will do more harm than good.

Debt position of the states

Kiran
Barma

THE STATE governments clearly have to shoulder considerable responsibilities in mobilising financial resources for economic development. Our Constitution has divided the functions and resources between central and state governments. In spite of the increasing assistance in the form of shared taxes and grants-in-aid from the centre, the state governments have to make their own effort to raise resources through taxation and borrowing to finance the economic activities included in the state and concurrent lists of the Indian Constitution.[1] The Constitution of India has assigned wide powers and functions to the states. To fulfil these heavy and increasing responsibilities, the mobilisation of financial resources has become one of the major problems of the state governments. There are always some limitations on the state governments to raise resources through taxation, resulting in their increasing debt burden.

The Constitution provides for borrowing by both the central government and the state governments either independently or collectively. However, under article 292 of the Indian Constitution, a state is permitted to borrow in India upon the security of the consolidated fund of the state within the limits fixed from time to time by its legislature. That is why sometimes the question of centralisation of the loan operations had arisen. In the case of centralised borrowing, the proceeds of total borrowing are shared by the central government and the state governments on an agreed basis. 'There were two reasons which led to the centralisation of states' market borrowings. First, the states had to pay higher interest rates than the central government which the former did not like; and second, the market prices of state government securities have been generally quoted below the level of the government of India securities, which probably implied a reflection upon the soundness of the financial position of the states.[2] The latter effect was also, at least in part, due to the Reserve Bank's policy of not supporting the state loans as it does when the government of India loans go unsubscribed in full or in part.

Keeping these points in mind, in 1963 in the wake of the Chinese aggression, was decided to centralise public borrov ing and it was proposed to borro Rs 393 crores including Rs 100 crores o behalf of the state governments and t distribute a part of it among them, o the basis of gross amount borrowed b the state governments from the marke in 1962-63. However, its result was no remarkable and the state governmen realised that this plan would reduc elasticity in their own borrowing pro gramme. Therefore in the next budg (1964-65) it was approved to borro separately.

However, in our Constitution stat governments do not have complet freedom to float any new loan withou the prior consent of the centre. This ha been done to prevent unsound borrowin and to safeguard the credit structure o the states. That is why some economist are of the opinion that there should b one common agency to do the functio of borrowing to divide the proceed impartially between the central and stat governments and to know their relativ needs. This type of policy will create integration between fiscal policies of the central and state governments and thus their elasticity of borrowing would increase. Being the manager of the debt of both the centre and the states, the Reserve Bank of India is in a position to coordinate the debt policies of the centre and the states for maintaining economic stability in the country.

The total outlay of the state governments during the three Plan periods amounted to Rs 897 crores,[3] Rs 2,103 crores and Rs 4,093 crores[4] respectively. During the three years of the annual Plans (1966-69) it amounted to Rs 3,052 crores.[5] In the fourth five-year Plan, states' total outlay increased to Rs 6,927 crores. Table I shows the annual outlay of the states in the fourth Plan period:

TABLE I

Annual Outlay of the States in the Fourth Plan Period

	(Rs crores)
1969-70	932
1970-71	1,169
1971-72	1,388
1972-73	1,602
1973-74	1,836*

* Estimate outlay.

Source: *RBI Bulletin* (June, 1973), p. 939.

It is this rapid and sharp rise in the Plan outlay in addition to the increase in non-developmental expenditure and debt services that has been responsible for heavy borrowing by the state governments. The outstanding debt liabilities of the state governments increased from Rs 449 crores at the end of March 1952 to Rs 2,739 crores at the end of March 1961 and to Rs 8,749 crores at the end of March 1971 and further to Rs 10,794 crores at the end of March 1973. The outstanding debt liabilities are estimated to rise further to Rs 11,673 crores at the end of March 1974.

The public debt of the state governments can be classified as follows:

1. Permanent debt,
2. Floating debt,
3. Loans from the central government,
4. Unfunded debt,
5. Other debt.

Permanent Debt: The permanent debt covers loans raised with the open market having a currency of more than 12 months. It includes cash and conversion loans as well as bonds issued in compensation for the abolition of intermediary rights in land such as Zamindari abolition compensation bonds and encumbered estate act bonds. Permanent debt of the states increased from Rs 134 crores at the end of March 1952 to Rs 257 crores at the end of March 1956 and further to Rs 10,794 crores at the end of March 1973.

declining percentage

The increase in outstanding permanent debt in the first two Plans was higher than in the later Plans. The percentage of permanent debt to total debt has declined from 29.1 per cent at the end of March 1952 to 18.2 per cent at the end of March 1961 and further to 13.6 per cent at the end of March, 1972. Permanent debt is expected to rise to Rs 1,664 crores at the end of March 1974.

Floating Debt: Floating debts are of a partly temporary nature repayable within 12 months, viz, treasury bills or ways and means advances and overdrafts from the Reserve Bank of India and cash credits from the State Bank of India and other commercial banks. The total amount of floating debt decreased from Rs 16 crores at the end of March 1952 to Rs 10 crores at the end of March 1956. Since then there has been a rise in this component of the state debt and it increased from Rs 42 crores at the end of March 1956 to Rs 600 crores at the end of March 1972. Again the floating debt of state governments outstanding at the end of March 1973 registered a decline of Rs 304 crores from the end of March 1972 position. The decline during this period was mainly the result of the discontinuance, with effect from May 1, 1972, of overdrafts to state governments from the Reserve Bank of India (beyond the agreed limits). The outstandings of such overdrafts were cleared with central assistance. Floating debt is expected to rise marginally by Rs 8 crores at the end of March 1974.

Loans from the central government: The enormous increase in total outstanding debt of the states was due to the large amount of loans given by the central government. These loans are given for a variety of purposes (developmental and relief) and for specific projects only. Each year the state governments receive loans and make repayments. Besides, giving loans to states for Plan purposes and non-Plan purposes (to meet expenditure on natural calamities, purchase of fertilisers and rehabilitation schemes etc.) the central government initiated a scheme of special accommodation in 1969-70 to meet the overall non-Plan gap of some states. Loans of Rs 279 crores and Rs 195 crores for this purpose were granted to some states in 1969-70 and 1970-71 respectively, and in 1971-72 a sum of Rs 120 crores was provided in the central budget.

During the first Plan period, as much as 82 per cent of the aggregate capital disbursements by the states was financed by the central loans. This proportion, however, declined to 75 per cent during the second Plan but again rose to 85 per cent in the third Plan period. At the end of March 1972 the outstanding loans from the centre increased from Rs 6,756 crores to Rs 8,010 crores at the end of March 1973. The major factors accounting for the substantial increase during 1972-73 were special ways and means assistance from the centre to states for clearing their overdrafts with the Reserve Bank of India and loan assistance for meeting the additional expenditure on famine relief and for emergency agricultural production programme. Outstanding loans from the centre at the end of March 1974 are expected to go up by Rs 526 crores.

financial problem

The increasing indebtedness of the states to the centre has become a major financial problem to both the centre and the states. And when the states are not able to meet the increasing repayment obligations, they have started pleading for rescheduling of their debt repayments. The fourth Finance Commission has rightly observed that ". . .the entire question of indebtedness of the states and the soundness of the existing borrowing, interest payment, repayment and accounting practices in this respect should be reviewed on the basis of a detailed study and report by a competent body to be set up for the purpose."[6]

Other debt: 'Other debt' of state governments comprises mainly loans from National Agricultural Credit (Long-term) Operations Fund of the Reserve Bank of India, National Cooperative Development Corporation and Life Insurance Corporation of India. Loans from the first two agencies are mainly intended for relending through cooperatives for investment in the rural sector; those from the Life Insurance Corporation of India are for financing development schemes like housing, water supply, etc. The 'other debt' of the states increased from Rs 50 crores at the end of March 1961 to Rs 162 crores at the end of March 1966 and further to Rs 302 crores at the end of March 1973. The 'other debt' is expected to rise to Rs 342 crores at the end of March 1974.

rising outstandings

Unfunded Debt: Unfunded debt consists of state provident funds, saving banks deposits, employees' insurance contribution etc. It has also recorded a substantial increase from Rs 58 crores (state provident funds—Rs 41 crores) at the end of March 1952 to Rs 133 crores (state provident funds—Rs 113 crores) at the end of March 1961 and further to Rs 724 crores (state provident funds—Rs 648 crores) at the end March 1973. It formed 12.6 per cent in the states' total debt at the end of March 1952 declined to 4.8 per cent at the end of March 1961 and further increased to 6.3 per cent at the end of March 1973. The outstandings are expected to rise to Rs 827 crores (state provident funds—Rs 746 crores) at the end of March 1974.

Market Borrowing : The borrowing achievements of the states under the Plans was highly successful. Their attractive rates of interest, prevalance of favourable conditions in the money market and the floating of their loans during the slack season when the investors have enough amount to invest are some of the main factors helping in the success of the borrowing programme of the states. They also tried to attract funds from small investors in rural areas. Experience of some states proved that with concerted efforts by the states substantial amount of loans could be raised from the rural sector, because they can tap local resources more effectively than the central government. The borrowing programme of the states under the Plans was highly remarkable. Total loan receipts of the states during the second and third Plans amounted to Rs 1887 crores and Rs 3,681 crores respectively as against Rs 965 crores during the first Plan period. During the three annual Plans net loan receipts amounted to Rs 3,471 crores as shown in Table II.

Further, the loan receipts of the state governments amounted to Rs 1,354 crores in 1969-70 and 1,293.9 crores in 1970-71. It increased to Rs 1,500.5 crores in 1971-72 and 2,305.2 crores in 1972-73 respectively. It is expected to rise to Rs 1,690.4 crores in 1973-74. Besides, on August 27, 1973, 20 states governments issued at par $5\frac{3}{4}$ per cent 12-year loan maturing in 1985, for an aggregatc amount of Rs 149.75 crores As no state loan was maturing during the year subscriptions to the new loans were accepted only in cash and these aggregated Rs 166 crores[7].

TABLE II

Loan Receipts of the State Governments

(Rs in crores)

First Plan	
1951-52	92.09
1952-53	129.28
1953-54	152.86
1954-55	246.43
1955-56	344.38
Total	965.04
Second Plan	
1956-57	293.23
1957-58	332.24
1958-59	382.49
1959-60	397.04
1960-61	482.77
Total	1,887.77
Third Plan	
1961-62	520.05
1962-63	637.71
1963-64	723.73
1964-65	899.48
1965-66	910.26
Total	3,681.23
Annual Plans	
1966-67	1,099.06
1967-68	1,139.28
1968-69	1,232.81
Total	3,471.15
Fourth Plan (1969--74)	
1969-70	1,354.0
1970-71	1,293.9
1971-72	1,500.5
1972-73 (RE)	2.305.2
1973-74 (BE)	1,690.4
Total	8144.0

Note : The loanreceipts of states comprise of permanent debt, floating debt, loan from the centre, other debt from National Agricultural Credit (Long term operations) Fund of the Reserve Bank of India, Loans from National Co-operative Development Corporation and Central ware-Housing Corporation, loans from Khadi and Village Industries Commission, Employees State Insurance Corporation etc., and unfunded debt.

Sources : Compiled from the Capital Budgets of States, *Report on Currency and Finance* (various issues)

small savings schemes

The central government has provided some incentives to the states to step up collections by the small savings method. According to the method adopted during the first Plan a state could get 25 per cent of the average net collection in the state plus 50 per cent of the excess amount over this average in the same. This amount thus received was treated as a loan from the centre to the states. A new formula was adopted in 1957 according to which the states were entitled to get two-thirds of the net collections if they did not issue market loans and one-third if they did so. The above formula was liberalised in 1958-59 to provide for further incentives. In the revised formula each state would be entitled to get two-thirds of the net collections in the state as well as the entire proceeds of the market borrowing. But just after the declaration of emergency in 1962 a ceiling was imposed on the state's share in the total collections of small savings for the year 1962-63 and 1963-64 putting it at Rs 60 crores and 65 crores respectively. However, in November 1963, this ceiling was lifted and the net collections of small savings were to be shared between the centre and the states in the ratio 2:1.

In India, the state governments always have some complaints against the central government. They argue that the central government is placed in a favourable position; it can collect revenue even from abroad and by way of deficit financing. Even the second Finance Commission saw a distinct disparity caused by wide variation in the rates of interest and the terms of repayment between the union and the states and it recommended consolidation of loans and rationalization of the rates of interest and terms of repayment. The commission proposed fixation of the rate at three per cent for all loans irrespective of the period of maturity. It also suggested formulation of a scheme that would reduce the burden on all the states together by about Rs 5 crores[8].

On the basis of these recommendations

he rate of interest on loans advanced upto 1957-58 was reduced and standardized towards the middle of February 1959. The terms of loans for industrial and commercial enterprises and for industrial housing were left unaltered. Loans for electricity and for the expansion of power facilities carried interest at four per cent per annum. All other loans, however, were to raise interest rate to three per cent per annum.

Despite this, the states were not in a position to pay even the annual interest charges on the central loans regularly thus being forced to seek further loans to pay the interest charges of total loans received by the states from the centre in 1966-67 and 1967-68. Nearly as much as 47 per cent and 69 per cent respectively was utilised to pay interest and instalments on old loans from the centre.

payment of interest

In recommending grants-in-aid to the states under article 275 of the Constitution the commission took into account the requirements of the states for payment of annual interest of loans outstanding at the end of the third Plan period and the loans that were to be raised by the states during the fourth Plan. They further recommended that interest payments should be reviewed on the basis of detailed study and report by a competent body to be set up for the purpose.[9] However, this recommendation has not been activated so far.

The third Finance Commission report[10] recommended an annual payment of total grants-in-aid of Rs 110 crores to all the states except Maharashtra. The commission felt that grants would assure the states the necessary funds to cover part of the revenue component of the Plan and also give them a greater measure of autonomy and flexibility in their administration. The fourth Finance Commission[11] recommended annual grants under article 275 of the Constitution amounting to Rs 122 crores equal to one-fifth of the deficit. It also suggested the creation of an institutional device between the union and the state governments for consultation on financial matters of common interest. In addition, the commission has recommended an early enquiry by a representative expert body for deciding the principles of the scheme of amortisation of public borrowing by states, which should form the basis for states to make their expenditure forecast for the next five years. Further, the commission is in favour of conducting a survey to assess the soundness of the present system of inter-governmental borrowing.

On the problem of unauthorised overdrafts and grants for buttressing the finances of the states, the fifth Finance Commission has strongly recommended[12] that the states should 'as a matter of necessary fiscal discipline', balance their budgets and manage their affairs within the resources available to them. It has further recommended that ways and means advances should not be considered as resources. The sixth Finance Commission has since been appointed with wider terms of reference than the previous ones with a view to having its recommendations well before the fifth Plan commences.

When the state governments could not raise enough resources through taxation they started taking unauthorised borrowings from the Reserve Bank of India to finance their incoming expenditure. During 1962-63 the central government granted ad hoc loans to seven states to help them clear their unauthorised overdrafts amounting to Rs 74 crores as against Rs 30 crores granted to four states in 1961-62. During 1963-64 the union government had to advance Rs 22 crores to the states for clearing their overdrafts with the Reserve Bank. These advances increased to Rs 34 crores in 1964-65 and to Rs 101 crores in 1965-66 (of which Rs 51 crores were made repayable in two to three years). The decline in capital receipts is largely under loans from the centre (at the end of March 1973) which at Rs 1,202 crores are budgeted lower by Rs 115 crores. This decline is partly offset by increases under loans and advances repaid by third parties to state governments (Rs 28 crores), loans from autonomous bodies (Rs 24 crores) net deposits and advances (Rs 14 crores).

Now it is clear that borrowing by the state governments has contributed considerably to solve the problem of mobilising financial resources for economic development of the country.

References :

1. See Article 246 (Seventh Schedule) of the Constitution of India.

2. NCAER : *Management of Public Debt in India*, Op. Cit. p. 22.

3. Government of India, *Review of the First Five Year Plan*, p. 24.

4. 'Finances of the State Governments', *RBI Buleltin* (June 1961), p. 855 and (May, 1965), p. 644.

5. *Ibid*, (August, 1970) p. 1289.

6. *Report of the Fourth Finance Commission* (1965, August).

7. *Report on Currency and Finance*, 1972-73 p. 191.

8. *Report of the Second Finance Commission* (1957), pp. 53-54.

9. *Ibid*, p. 53.

10. (December, 1962)

11. (August, 1965)

12. Constituted on February 29, 1968, and submitted its final report on July 31, 1969.

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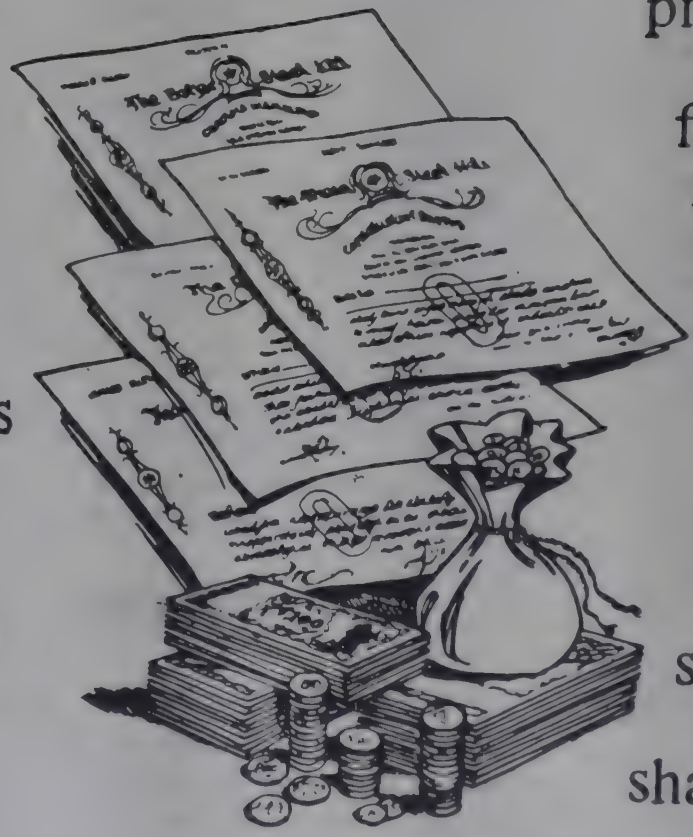

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TATA STEEL

Rational land use for self-sufficiency in food

A.R. Rao
&
I.J. Singh[*]

VIEW of the increasing population d limited cultivable land in India, there urgent need to re-examine the present ttern of land use. With growing numrs and increasing urbanization, more nd is going into such non-agricultural es as housing, communications and dustries leaving lesser land per capita r growing crops. Crops, in addition to eeting the food needs, have to fulfil e other necessities of life such as lothing or industrial raw materials. In ddition, crops like cotton and sugarcane re vital raw materials for generating ndustrial employment as well as sources f foreign exchange. Crops are also the aw materials for the production of many esirable and nutritive foods of animal rigin such as milk, meat and eggs.

ossible substitution

In this context, it is necessary to tudy the possible substitution of these rops with non-agricultural alternatives, rimarily of industrial origin. Several uestions may arise in this connection. s the present land use in India, compatible with our minimum social objective of preventing hunger in the country? Is he present pattern of our food production helping the poor, or is it subserving he desires of the well-to-do? Are the consumers of different foods getting invisible subsidies from the government or are losses being incurred by the producer which are going unnoticed?

How important is each crop to the overall economy in its material needs, as industrial raw material, as a generator of employment, as a vital input for a return on the investment in the industries, to fulfil the addictions of the population such as for tobacco, or as an earner of foreign exchange or of good-will? For which section of the population is each food item catering? What are the nutrients supplied to the consumer from each item of food? Can these nutrients be supplied through acceptable alternative sources at lower prices? Are our investments in research and development directed towards producing the most rational foods?

In view of the above broad considerations, this article attempts to fulfil the following specific objectives:

1. To study the existing allocation of land for producing various crops.
2. To examine the possibility of increasing the area under essential food crops.
3. To suggest unconventional alternatives to some agricultural products.

To fulfil the above objectives, secondary data from various sources have been used. For the first objective, the area under the cultivation of different crops has been examined. For the second objective, criteria such as the nutritive value of the different food crops, the nutritional needs of the population, ways to fulfil the other needs of the population like clothing and the requirements of raw materials for industries, the potentialities of the crops to generate employment and to help in the balance of payments have been considered. For the third objective, the alternatives available abroad and their feasibility under Indian conditions in terms of acceptability, prices and the impact of these alternatives on the overall national economy, have been examined.

under food crops

Existing land use : Of the land under agricultural use (which is about half the land area of the country), about 75 per cent is under foodgrains and about 12 per cent under other essential food crops such as oilseeds, fruits and vegetables (Table I). Sugarcane and cotton together account for 6.5 per cent of the total cultivated area and about 9 per cent of the irrigated area. Miscellaneous crops like tobacco or jute, account for the balance (7.5 per cent). Table I shows that most of our agricultural land is already under foodgrains, indicating thereby that the possibilities of shifting land to food crops primarily lie in crops like cotton and sugarcane.

TABLE I

Crop Acreage in India : 1969-70

(Thousand hectares)

Crop	Total	Irrigated
Foodgrains (cereals and pulses)	122,354 (74.6)	29,548 (79.4)
Fruits	1400 (0.9)	..
Vegetables	2,075	..
Total fruits and vegetables	(1.3) ..	787 (2.1)
Total oilseeds	13,845 (8.4)	739 (2.0)
Condiments and spices	1,655 (1.0)	418 (1.1)
Total food crops	141,329 (86.2)	31,492 (84.6)
Sugarcane	2,790 (1.7)	2,129 (5.7)
Cotton	7,728 (4.7)	1,210 (3.3)
Total area under sugarcane and cotton	10,518 (6.4)	3,339 (9.0)
Other crops	12,075 (7.4)	2,385 (6.4)

Source : Ref. No. 2.

Increasing the area under essential foods : To be alive, man needs energy and an adequate supply of proteins. Cereals and pulses supply energy in the diets, but have slight imbalances in the essential amino-acid contents of their proteins. Cereals are low in lysine, but rich in methionine, while pulses are rich in lysine, but poor in methionine. In effect, a combination of cereals and pulses (*roti* and *dal*) constitute an acceptable balanced diet. Fats and oils are highly concentrated forms of energy with some essential fatty acids and, of course, add taste to the diet. Fruits and vegetables supply minor (but essential) nutrients like vitamins and minerals. Condiments and spices are useful for tasty diets.

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[*] Haryana Agricultural University, Hissar

Thus cereals, pulses, fruits, vegetables, oilseeds, condiments and spices are considered to be essential food crops leaving little scope for reduction in the area under these crops. These are also the reasons for making efforts to increase the area and input use for these crops. In view of these nutritional considerations, a survey was made of the other crops to which a lower priority could be given. These are discussed below:

(a) Sugarcane yields the maximum energy per unit area. However, this energy is figuratively called "empty calories", as it is not accompanied by any other vital nutrient like protein, essential fatty acids, vitamins or minerals. Therefore, from a nutritional point of view sugar (from sugarcane) is a dispensible food. Moreover, there are good and more efficient ways to obtain sweetness as well as energy from corn (maize) syrup or glucose syrup to which are added synthetic sweeteners like, saccharin and cyclamates. Glucose syrup is made from maize starch. It has the same energy as sugar (on dry matter basis) but is less sweet. The sweetness can be supplemented with artificial sweeteners. It is reported[5] that in the USA, glucose syrup is cheaper than sugar by about 20 per cent and artificial sweeteners are cheaper by as much as 85 per cent. Based on these considerations from a distinctly nutritional point of view and the currently available food technology for producing sugar substitutes, our long-term food planning may emphasise minimizing the area under sugarcane and using it for cereal crops. Implications of such planning are discussed later.

TABLE III

Prices of Fibres in USA : 1967

Type	Price (Cents)
Rayon	28
Acetate	40
Nylons	77-78
Acrylic	67-110
Polyester	65-70
Cotton	25
Wool	107

Source : Ref. No. 5.

(b) Cotton is a traditional fibre with connotation of self-help, rural employment and connections with the lore of our political independence. India has the largest area in the world under cotton cultivation which is more than one-fourth of the total world acreage under this crop.[4] It is regarded as a fibre of choice by the rich in even affluent societies. In recent decades, numerous substitutes for this fibre have come into common use (Table II). Their prices per pound of fibre are slightly higher (Table III), but by virtue of their lightness, clothing made from them is much cheaper, so that in New York, a cotton shirt costs at least double the price of one made of nylon. Thus, for a poor population, clothing made of synthetics seems to be a cheaper substitute for cotton (no matter, how uncomfortable in the hot weather). This should be possible by making sufficient amounts of synthetic fibres in India. Since, most of the synthetic fibres are made from petroleum (Table II) which is in short supply, cellulose derivatives like rayon and acetate fibres seem to be our immediate choices for clothing. For industrial uses (as in tyre cords) nylon derived from castor oil or glass fibre derived from sand could be used. Other coarse cloth as used in home furnishings may also be made from glass fibre. From the above it is clear that synthetic fibres can larg replace cotton for consumption in In Cotton should be grown only for irreplaceable purposes, and mainly for export market as textiles and ready-m clothes. Although cotton crop yields edible oil and protein in the cake, land released from cotton wo have more economic advantage if it used to grow oilseed crops like grou nut or sunflower for their nutrients oil and good quality protein from oil cakes.

TABLE II

Man-made Fibres

Name	Intermediate raw material	Source	Uses
Nylons	Caprolactan Hexamethylene daimine/sebacic acid/adipic acid/ 11-amino undecanoic acid	Petroleum/ castor oil	Textile and industrial products
Polyester	Dihydric alcohols and terephthalic acid	Petroleum	Textiles
Acrylic	Acrylonitrile	Petroleum	Knitwear
Rayon and acetates	Cellulose/cellulose acetate	Cotton linters/ Pulpwood	Textiles
Spandex	Polyurethane	Petroleum	Hosiery
Glass	Glass	Silica/Sand	Home furnishings, industrial products

Source : Ref. No. 5.

The above discussion indicates need for shifting area as far as po ble from cotton to other essential f crops in our food production progra mes. The pros and cons of this propo will be discussed later.

There are numerous other crops tobacco, plantation crops like cof tea and rubber as also others wh really occupy a very small percent of cultivated land. Around th crops have been developed several ind tries. We are not suggesting any shift area from these crops to other essen food crops as such shift will make ne gible contributions to the total f production.

common-sense approach

Feasible substitutes: As suggested the previous section, sugar can be sub tuted with sweeteners based on gluc syrup and/or synthetic sweeteners. areas under sugarcane cultivation in various states of India (Table IV) their yields do not justify the pres pattern of land use. States such as Bih Haryana, Punjab and Uttar Pradesh count for nearly 68 per cent of the to area of sugarcane in the country. H ever, the per hectare yields in these sta are only about half of those in And Pradesh, Maharashtra, Karnataka Tamil Nadu. Based on these figu common sense would suggest that sug cane cultivation, if at all sugar is to produced, should be limited to southern states and the entire shift this land in the northern states sho be to produce maize in the *kharif* sea and other essential food crops in the season. Such a shift should be welco for the economy in three different way

(i) The northern states can conc trate on maize production use it to produce glucose syrup a substitute for sugar. In industrial process maize glu would come as a by-product to used as an industrial raw material or as animal feed.

(ii) The labour force of these sugar mills could be employed by the maize syrup factories after some training.

(iii) The technical know-how for corn syrup is readily available in India and the industry does not involve heavy investment.

TABLE IV

Sugarcane (Gur) Production in Major States: 1970-71

State	Area ('000 hectares)	Yield of gur per hectare (Kg.)
Andhra Pradesh	199.6	7,920
Bihar	161.9	3,835
Haryana	155.0	4,503
Karnataka	96.7	8,772
Maharashtra	217.2	7,729
Punjab	127.7	4,127
Tamil Nadu	135.0	8,473
Uttar Pradesh	1,345.2	4,064
All-India	2,615.1	4,963

Source : Ref. No. 2.

Corn syrup may take some time to gain popular acceptance as a substitute for sugar because of its liquid nature. However, in time, sugar production in the southern states also may be similarly reduced to the minimum and the land deployed for other essential food crops.

As in the case of sugarcane, land under cotton in some states is yielding very little (Table V) calling for the shift of this acreage to other essential food crops. For example, such states as Maharashtra, Andhra Pradesh, Madhya Pradesh and Karnataka should be weaned from cotton to other more vital crops.

As suggested earlier, some synthetic fibres can satisfactorily replace cotton in various uses in industry or in apparel. However, the production of several synthetic fibres is capital intensive and these industries may take a long time to replace all the cotton textile industries.

TABLE V

Cotton Production in Major States : 1971-72

State	Area ('000 hectares)	Yield per hectare (Kg.)
Andhra Pradesh	337.3	87
Gujarat	1,847.4	222
Haryana	243.0	326
Karnataka	1,077.5	95
Madhya Pradesh	692.9	92
Maharashtra	2,378.1	69
Punjab	437.0	368
Rajasthan	334.7	212
Tamil Nadu	312.6	324
All India	7,783.6	151

Source: Ref. No. 2.

Labour may be equally employed whether it is for cotton textiles or for the synthetic textiles.

The suggested reappropriation of land from sugarcane and cotton will have the following consequences:

(i) Assuming that all the 3,339,000 hectares of irrigated area under these two crops (Table I) is diverted for the production of maize in *kharif* and wheat or rice in *rabi*, the total maize production at an average yield of one tonne per hectare is expected to produce 3.4 million tonnes of maize and about 4.4 million tonnes of wheat or rice at the expected average yields of 1.3 tonnes per hectare. Thus, the total cereal production is estimated to be an addition of 7.8 million tonnes. Such additional production of foodgrains is recommended to replenish the world's foodgrain reserves which are alarmingly low.

(ii) The export earning of India for different forms of cotton as well as sugar are shown in Table VI. The table reveals that during a nine-year period (1965-73), the total net export earnings from these two traditional export commodities were Rs 997.9 million as against foodgrain imports

TABLE VI

Export Earnings from Sugar and Cotton and Foodgrain Imports

(in million Rs)

Year	Sugar			Cotton (raw and all manufactures)			Total net value of sugar and cotton	Cereals		
	Export	Import	Net value (±)	Import	Export	Net value (±)		Import	Export	Net value (±)
1	2	3	4	5	6	7	8	9	10	11
1964-65	179.0	—	179.0	581.0	1945.0	1364.0	1543.0	4160.0	—	—4160.0
1965-66	113.4	—	113.4	462.0	1297.2	835.2	948.6	6286.3	—	—6286.3
1966-67	161.2	—	161.2	564.7	1547.0	982.3	1143.5	11556.6	—	—11556.6
1967-68	159.5	—	159.5	830.1	1570.3	740.2	899.7	9514.3	—	—9514.3
1968-69	101.9	—	101.9	901.8	1167.2	265.4	367.3	6535.8	12.9	—6522.9
1969-70	85.8	—	85.8	827.8	1350.5	522.7	608.5	5025.6	25.9	—4999.7
1970-71	275.7	—	275.7	988.3	1379.9	391.6	667.3	4162.0	32.8	—4129.2
1971-72	302.0	—	302.0	1133.9	1899.4	765.5	1067.5	2518.8	—	—2518.8
1972-73	132.9	—	132.9	908.8	2511.6	1602.8	1735.7	1396.5	—	—1396.5
Total:	1511.4	—	1511.4	7198.4	14668.1	7469.7	8981.1	51155.9	71.6	—51084.3
Average:	167.9	—	167.9	799.8	1629.8	829.9	997.9	5684.0	07.9	—5676.0

Source : Ref. No. 1.

of Rs 5,676 million. Owing to good monsoon years, the country may become practically self-sufficient in foodgrains and thus reduce our food imports to zero. However, such prospects of good weather over the years are uncertain and at least for buffer stocks we may need to produce or import more grains. Therefore, an outlay on food imports appears to be a continuing phenomenon. For instance, it has been estimated that in 1974, India needs to import at least six million tonnes of cereals at an estimated cost of Rs. 2,000 per tonne involving Rs 12,000 million in foreign exchange.[3] Foreign exchange can be saved and the country's dependence on food imports eliminated by limiting the cotton and sugarcane crops to the rainfed areas only.

(iii) It is visualized that in about a decade from now, self-sufficiency in cereals will be attained. At that time, land under cereals may be reduced and used for other essential foods like oilseeds or pulses or even foods of animal origin such as milk, meat and eggs through price incentives.

(iv) To implement the above suggestion, the fund allotted for researches and development may be withdrawn from sugarcane and cotton and directed towards the substitutes for sugar and synthetic fibres.

To sum up, feeding over 600 million people from only 0.27 hectares of cultivable land per capita as also to clothe them in cottons has been our unattainable objective. The present despondency has prompted a re-examination of this goal in view of the egalitarian society we plan to evolve. The findings in this article have brought out the following possible solutions:

1. The present agricultural land use in India, though mostly devoted to foodgrains, has some margin for reappropriation to still more cereals (from sugarcane and cotton).
2. Sugarcane and cotton crops need to be given a low priority in planning the national food policy mainly because acceptable substitutes for these products can be readily made in India without major disruption in the employment situation in sugar and cotton industries.
3. If out of the present area under cotton and sugarcane only one-third which is under irrigation i reappropriated for cereal cultivation, the country would not onl be completely self-sufficient ir these grains, but would also b saving foreign exchange. Balance against this are our expor earnings from sugar and cotto which have been less than a fifth of our expenditure on grai imports.

This is one approach to our minimum social objective of feeding the hungr millions and deserves serious consideration in planning our food productio programmes through a re-allotment o funds for research and development.

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How green is the green revolution in Punjab?

K. Suresh

At a time when planners and politicians have turned from their numerous sacred and profane activities to concede the highest priority to the all-embracing subject of food, the innate thoughts of the common man reel back to the late sixties with its twin slogans of 'green revolution' and 'agricultural break through'.

The new strategy of food production, backed up by technology and all the concomitant measures, had just begun to churn the sluggish waters of Indian agriculture. The dream of flooding the markets with the golden grain appeared a reality, the concessional imports under PL-480 were drastically curtailed and efforts were afoot to build a grain reserve of around 10 million tonnes to act as a buffer in times of poor harvest.

But this dream of self-reliance was not only shortlived but proved as illusive as numerous other goals in the field of developmental activity and economic growth. No wonder, during the past two years the deadly spectre of shortages and soaring prices is once again back with the nation while the initiative gained continues to slip out of our hands. From the avowed promise of plenty we are back to the unenviable position of donning an empty hat in one hand and emptier bread basket in the other in quest of help fro the international community.

While offering any alibi for inaction o failures might be the best course to stag political gimmickry it does not lead t increased production of foodgrains During the past two years every crop seaso began on an optimistic note but ended u in a whimper. Vagaries of nature wit floods, scanty rainfall, frost bite, the nee to feed additional mouths, power an energy crises, labour unrest and politica turmoil, hoarding and blackmarketing in fact any and every excuse has bee trotted to cover up the shortcomings o policy. All this and more has not onl made the green revolution appear a far cry in the wilderness but things have been allowed to drift from bad to worse. Production of foodgrains, which had touched the 110 million tonnes mark, is already down to a close 100 million tonnes in the current year.

Green revolution would not have appeared to be unreal if like love it had been nurtured properly. The experience of some other thickly populated countries such as Japan and Formosa, which have achieved phenomenal increases in the production of rice is there for anyone to emulate. Mexico has proved a striking example of a deficit country becoming self-sufficient in wheat and even attaining a small exportable surplus.

Tragically enough, in India, though chronically deficient in food since World War II, the progress of making a breakthrough in agricultural production has been allowed to be spread unevenly in different states. Green revolution was essentially a phenomenon largely confined to Punjab and in a lesser degree to Haryana. Most of the members of the farming community in other states were allowed to be content with their time-worn and antiquated agricultural practices. The crying call of the handful that any spurt in production in the twin states of Punjab and Haryana must be matched by progress in other states if the pace of the green revolution was to be sustained, did not carry conviction with the result that the promise of pushing up the pace of foodgrains production to 115 million tonnes target proved utterly Utopian.

gigantic effort

In Punjab the gigantic efforts to step up agricultural operations produced the desired results in the doubling up of foodgrains production in the course of five years — from 3.4 million tonnes in 1965-66 to over 7.4 million tonnes in 1970-71. The speed with which this transition was attained has hardly any parallel elsewhere in the world. Even Mexico, where the dwarf varieties were introduced earlier, needed 15 years to do what the peasantry of Punjab did in less than half a decade. Besides, of course, the introduction of high-yielding varieties, use of chemical fertilisers, pesticides, mechanisation, exploitation of ground water resources, rural electrification, road development, farm credit and a progressive price support policy which were the *sine qua non* of agricultural development there was the human factor involved in the operations. An arrogantly independent peasantry not afraid to work hard, successfully demonstrated that it could grow two grains where one grew before.

intensive cropping

Punjab is one of the smaller states of India representing 1.6 per cent of the area, 2.6 per cent of the cropped area and 2.5 per cent of the total population of the country. With mounting emphasis on the intensive use of land the pattern of land utilisation in this state has undergone a rapid change from 1950-51 to 1968-69. The net sown area increased from 3.5 million to 3.9 million hectares, the area sown more than once from 626,000 to 1,347,000 hectares and the total cropped area from 4.17 million to 5.299 million hectares. On the other hand, the fallow land has shrunk from 445,000 to 208,000 hectares and uncultivated land, other than fallow, from 511,000 to 138,000 hectares. In less than two decades, this tiny corner of our country, with a deficit of 30,000 tonnes in 1947 has turned the corner to fill the nation's food basket. In fact no farming area in the world has shown higher yields of comparable quantity than in Punjab — 2900 lbs. per acre as against 2,200 in the USA.

Three years ago when the Punjab farmers found their wheat surpluses almost unwanted, the centre and the state government were obliged to take them over. The grain piled up in the markets yards, warehouses and rotted at the railway sidings. In the wake of all this the cultivators were advised to diversify their crops. While this went on every other state claimed to be heading for self-sufficiency.

But all this has miraculously changed during the last three years. Every pound of surplus grain in Punjab is being sucked out and all eyes are set on the next crop. Once again, in the face of mounting shortages, the Punjab farmers are being urged to produce more grain while most of the other states prefer to lap up assiduously their own surpluses and extra supplies from other parts of the country as well as from imports.

The most disturbing feature of agricultural operation in Punjab today is the continued downward trend in production. During the past three years the total production of foodgrains has shown considerable decline. As against 7.93 million tonnes production in 1971-72, it was 7.68 million tonnes in 1972-73 and around 7.4 million tonnes in 1973-74.

Not only has wheat production shown a decline but even paddy and maize have begun to fall into the same pattern. Wheat production has fallen from 5.6 million tonnes in 1972, to 5.26 million tonnes in 1973 and will be well under 5.2 million tonnes in 1974. What appears to be undoing the vaunted green revolution in this state is a combination of natural and man-made factors.

For instance, Dr Borlaugh the father of the green revolution in wheat has warned the plant breeders that high yields from hybrid varieties could be obtained only for a period of about three years and thereafter the seeds must be altered. As is well known, little has been done to provide adequate quantities of new strains of seeds to the farming community. As it is enough good seeds are either just not available, or too many ordinary varieties are passed off as good seed. This is largely attributable to inefficient mechanism of seed multiplication and poses a serious threat to our advancement in stepping up foodgrain production.

irrigation facilities

In addition to the problem of seeds, there is the question of providing irrigation facilities to the farming community. It is the most important ingredient in the package of practices for intensive cultivation. The main sources of irrigation in Punjab are wells, tube wells and canals. The total irrigated area is 2.88 million hectares of which 1.29 million hectares is irrigated by canals and 1.59 million hectares by wells and tube-wells i.e. 44.7 per cent and 55.2 per cent respectively. The number of tube-wells installed has been on the incline and there are around 250,000 tube-wells in the state. When electric power and diesel needed to run tube-wells are in short supply, it is not difficult to visualise the havoc caused to foodgrains production. The situation assumes chaotic proportions if one was to take into account the diesel needs of tractors, harvestors, thrashers, and a horde of other mechanical contrivances employed in agricultural operations.

With increased irrigation facilities and adoption of high-yielding varieties for cultivation the availability of chemical fertilisers attained considerable significance in increasing production. In Punjab the consumption of fertilisers in 1969-70 was

856,000 tonnes as compared to 5,100 tonnes in 1950-51. Keeping pace with production the consumption of fertilisers was to have risen nearly three-fold by 1973-74. Not only the net availability of fertilisers has come down during the past three years, the prices obtaining are the highest in the world.

The fact that the physical production response to fertilisers in India is much lower compared to that in many other countries such as the USA and Japan adds to increased costs of fertilisers which the Indian farmers must bear. The shortage of fertilisers and high prices in turn adversely affected the foodgrains production.

important factor

While one could *ad nauseam* correlate a variety of reasons for the current setback to foodgrains production in Punjab, an important factor which must not be lost sight of is the growing concern of the farmers that they must diversify the cropping pattern. There is a gradual shift, already discernible, that more oilseeds, cotton, sunflower and soybeans could be grown profitably and marketed without interference from the official authorities. In turn their cultivation would provide a balancing force to rural economy and an insurance against vagaries of weather.

A more disturbing feature of the rural economy in Punjab is the growing imbalance between agriculture and industry. The contribution of Punjab to the net domestic industrial production is only 14 per cent—the lowest in the country. This is as against 31 per cent in West Bengal, 29 per cent in Maharashtra and 22 per cent in Gujarat. If anything most of the industry is small-scale with nearly 30,000 units in this sector and only 94 medium and large scale units. In other words the savings generated by increased agricultural production are being invested outside the state. There is need for balancing this discrepancy in national interest.

Unless remedial measures are taken on a war footing and correctives applied to set the development of agriculture in Punjab along the progressive path the slide-back to early sixties will not be a distant phenomenon. This would be nothing short of putting the clock back by several years and our continued dependence on imports.

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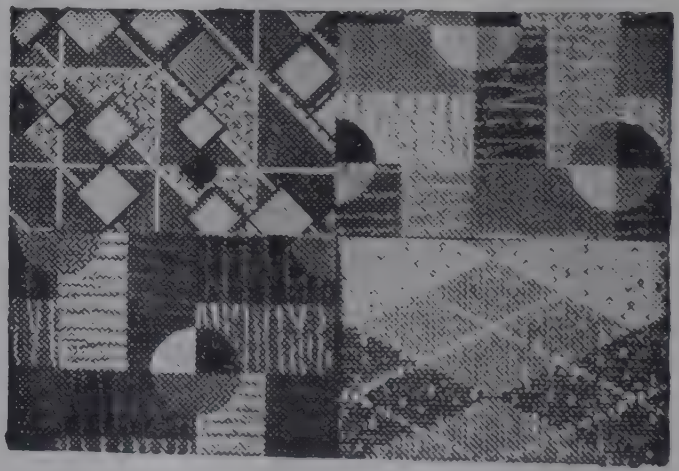
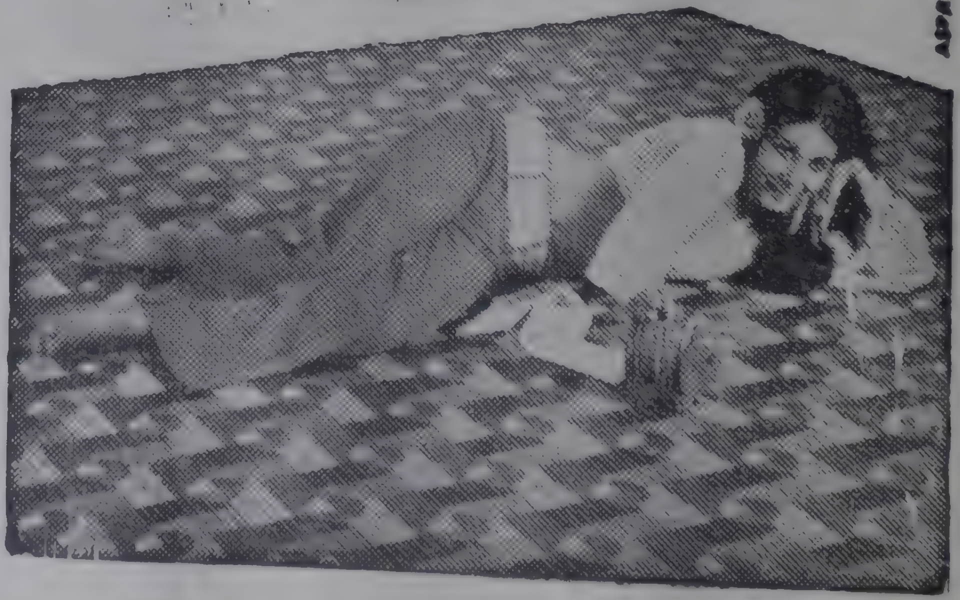




WINDOW ON THE WORLD

The A.B.C. of precious metals--1

London

Jossleyn Hennessy

I

Gold

THE PRECIOUS metals are no different from any other commodity. They are used for a considerable range of industrial purposes, and their price moves in line with that of raw materials generally, in particular the other non-ferrous metals.

The spectacular rise in commodity prices during 1973 persisted during the first two months of 1974, despite earlier forecasts of stabilisation or even reversal. Among the many reasons which may account for this, three seem dominant. The producing countries have become aware of their market power; consumption has continued to rise, pressing against limited resources; and raw materials offer both speculative potential and a repository for purchasing power. Obviously all three factors enter the demand for precious metals. Equally obviously, the last of them is all important.

World production of gold outside the Soviet Union fell from 41.4 million ounces in 1970 to 38 million in 1972, a decline of 8.2 per cent. This trend seems to have been maintained and even intensified in 1973: South Africa's output, which accounts for three-quarters of the total, was down by 6.2 per cent last year. This is an extremely unusual occurrence in mining, and is due in part to South Africa's quasi-monopoly and its deliberate policy of controlling supply.

The mining companies have reacted to higher prices in traditional manner. When costs and prices are stable, they work the richest seams and reinvest substantially. By contrast, when the price of gold rises faster than costs (which have been going up anywhere from 25 per cent to 75 per cent a year since 1972), they extract poorer grade ore which has become temporarily profitable. For an unchanged tonnage milled, output of refined metal falls; thus the logic of gold production is not that of demand and supply.

On the demand side, a distinction must be made between industrial uses, speculative demand, hoarding, and gold's function in the international monetary system.

The sustained growth in industrial uses is enough in itself to generate a steady increase in the metal's price but the rise observed in recent months is obviously due to speculative demand and hoarding.

The hoarders' motives are mainly defensive against the prospect of world inflation, intensified by higher commodity prices, and more recently, by dearer oil.

Samuel Montague estimates that demand for hoarding rose from 222 tons in 1972 to 390 tons in 1973, whereas the quantity coming forward was practically unchanged at 1,430 tons. French buyers alone are reckoned to have taken 100 tons, as much as the combined demand of the Gulf Emirates, which may, however, play a decisive role in 1974 markets, given the enormous growth in their oil income. Samuel Montague does not forecast any increase in supplies in 1974 and expects to see the price at $200 an ounce by end-year.

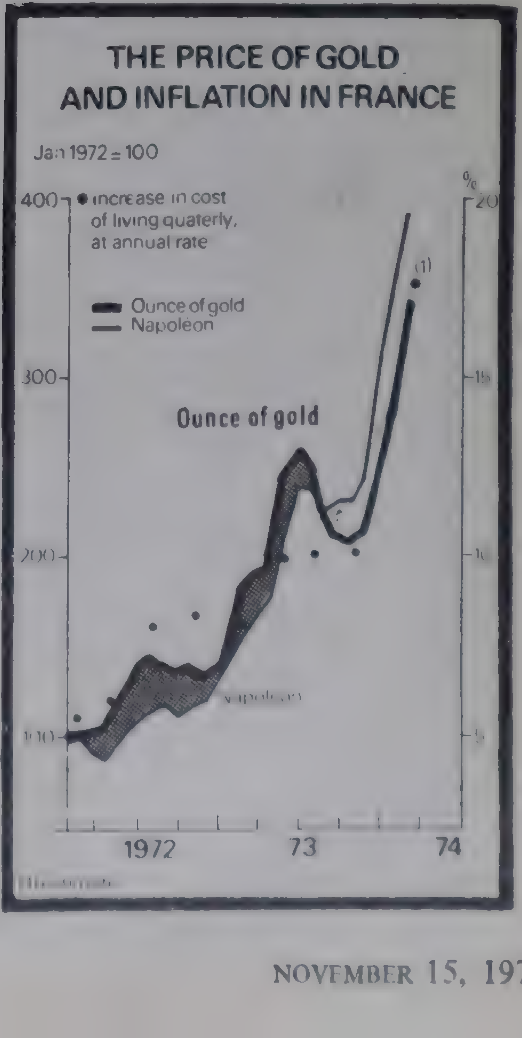
As regards the international monetary system, it is difficult to forecast the outcome of the economic and financial upheaval caused by the oil crisis. The possibility of a higher official price is offset by the potentially reduced role for gold in a reorganised and monetary system. Here again the investors' view seems firmly oriented towards the likelihood of a further rise.

II

Silver : A Satellite

World consumption of silver in 1973 is estimated at 43 million ounces, 13 per cent up on 1972, whereas production rose by four per cent to 300 million ounces, a supply deficit of 180 million ounces. US consumption rose by 22 per cent and accounts for one-third of world output.

Gold cannot at present be held by residents of the USA, and US demand is therefore the key to the world market in


THE PRICE OF GOLD AND INFLATION IN FRANCE

silver and to its price. This explains why gold and silver prices have traditionally tended to move closely together.

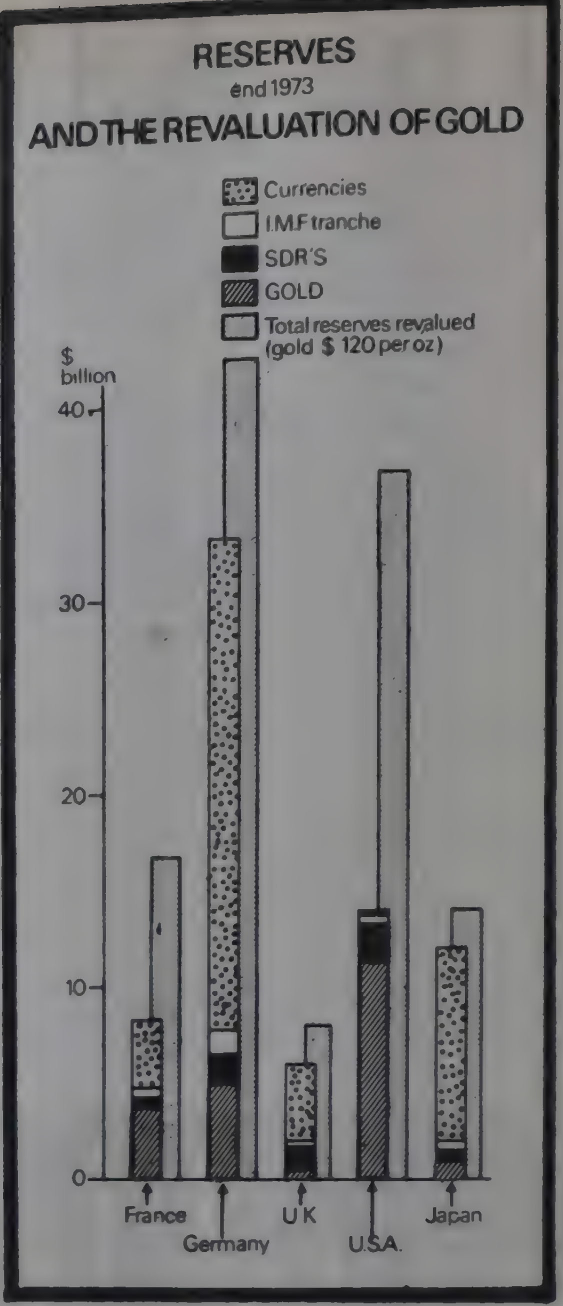
US investors' demand in the first quarter of 1974 seems at the root of the massive increase in the price of silver (up 72 per cent in the first two months of 1974, whereas gold rose by only (!) 45 per cent).

This joint reaction to economic and monetary uncertainties should not be allowed to obscure the white metal's industrial uses, which represented nine-tenths of world consumption in 1973. If a major economic slowdown occurs in 1974 it could lead to a more moderate trend in silver prices by the end of year, and even a fall.

III

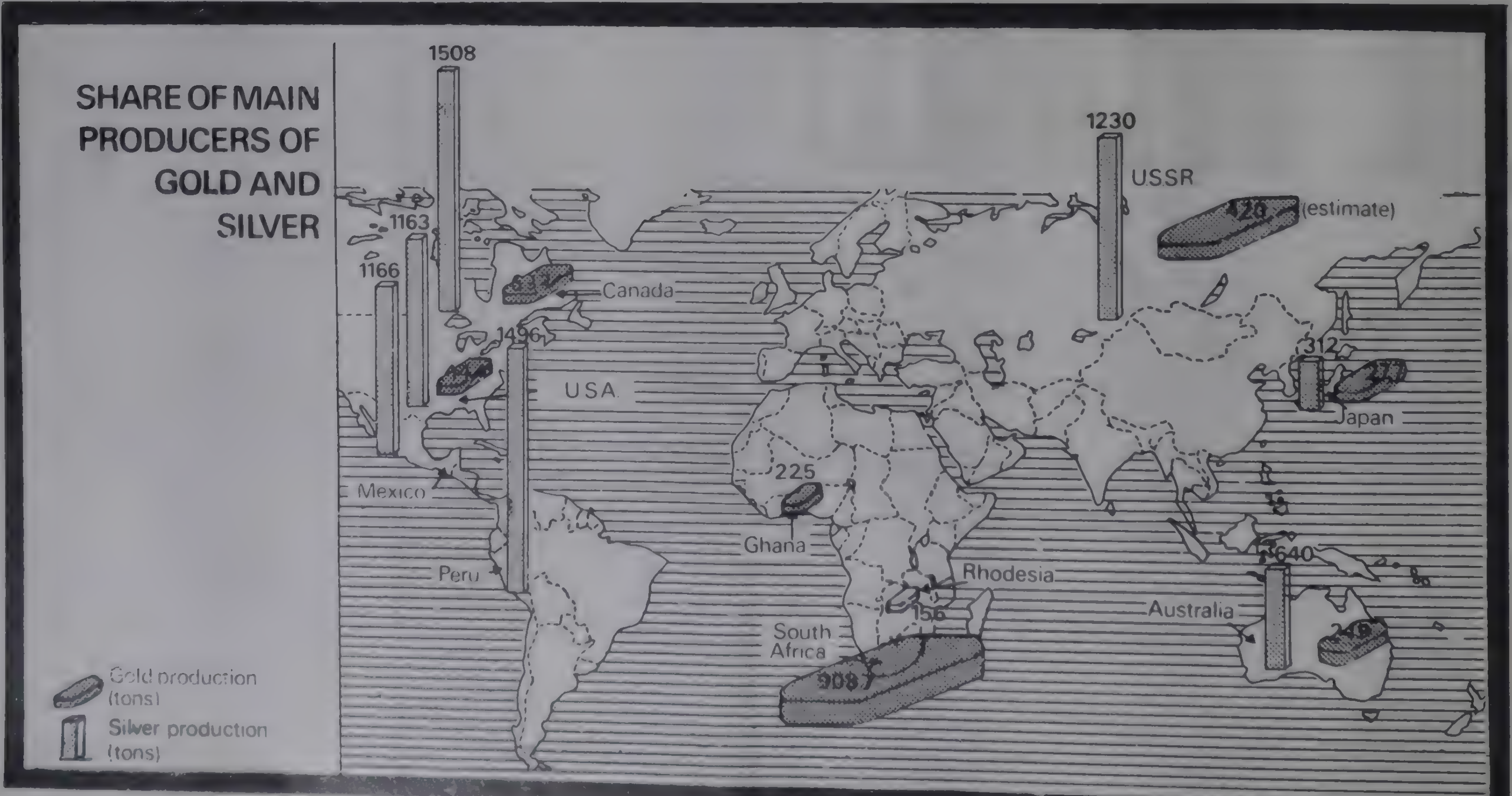
Platinum : More Industrial then Precious

The much less abrupt rise in platinum prices reflects producer control of the market; the price behaviour of this pre-


RESERVES
end 1973
AND THE REVALUATION OF GOLD

Countries Minting Gold Coins their Value & Weights

Issuing country	Nominal value	Usual name	Gross weight (grammes)	Fine weight (grammes)
France...........	20 F	Napoleon, Louis	6.45161	5.80644
	10 F	Demi-Napoleon, Demi-Louis	3.2258	2.90322
Switzerland.......	20 F	Vreneli Croix	6.45161	5.80644
Latin Union.......	20 F	—	6.45161	5.80644
Tunisia............	20 F	—	6.45161	5.80644
UK...............	1 £	Sovereign	7.98805	7.32233
	1 £	Elisabeth II	7.98805	7.32233
	10 Sh.	Half Sovereign	3,99402	3.66116
USA...............	20 $	Double Eagle	33.436	30.092
	10 $	Eagle	16.718	10.04624
	5 $	Half Eagle	8,359	7.5231
Mexico	50 pesos	Centenario	41.666	37.500
West Germany......	20 marks	—	7.965	7.170
Netherlands........	10 florins	—	6.730	6.048
Russia.............	5 roubles	Nicholas II	4.3013	3.871


SHARE OF MAIN PRODUCERS OF GOLD AND SILVER
1508
1163
1166
1496
Canada
USA
Mexico
Peru
1230
USSR
420 (estimate)
312
Japan
225
Ghana
Rhodesia
156
South Africa
908
Australia
640
Gold production (tons)
Silver production (tons)

ous metal has been similar to that of ickel or aluminium. Platinum is a rare dustrial metal rather than a precious etal proper. Several major schemes e in hand, and by end 1974, production apacity will be 50 per cent higher than n 1972. Russia, the second largest pro- ucer, is also raising its output. Despite higher demand for platinum as the catalytic converter for reduction of lead pollution by automobile engines, it is unlikely that its price will go much higher.

Next week I will report on Monetary Gold and the Trade in Gold.

Sources and Acknowledgements: The foregoing summarises a report in the latest issue of *Conjuncture*, the quarterly review published by the French Societe Generale, but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Coping with the crisis

Vienna

E. B. Brook

SIGNS AND noises of distress and anger over its partial loss of prosperity increase in west Europe. The villain of the piece in the cartoons is the Arab sheikh, the victim the average European and American who is described as "tightening his belt" and knuckling down to "wartime conditions." Both are laughable; the Russian oil and gas supplier has fully as complete an appreciation of the value of his fuel as any Arab or Iranian and, as for belt-tightening, the steak and cream cake-eating Europeans would soon find it painful if put into practice.

staggering unemployment

Difficulties there certainly are: banks have failed, prices have risen and go on rising, car firms are fighting "stagflation" or outright loss—as in Italy—reduced output and standing off employees—as in West Germany, air lines in Britain and Italy cut staffs and flights while American airlines are authorized to raise the prices for their trans-Atlantic charter flights. Unemployment, with ominous political overtones, is the bogey of all governments; in France unemployment is already 24 per cent up on the figures of a year ago—though France still enjoys one of the lowest percentage unemployment rates among industrialized nations—and West Germany expects a million jobless this winter. But countries which need to employ millions of "guest workers" from the much less well-off countries of southern Europe and north Africa and which can afford to pay unemployment rates almost as good as wages can scarcely call themselves afflicted.

Much of the banking trouble has been caused by sheer gambling on the foreign exchanges; price rises are caused just as much by the contending commercial politics of the Common Market and other main trading groups as by the increased cost of industrial fuel and at least some of the unemployment arises from such self-sacrificial restraints as middle-class families deciding to make do with one car instead of two. Industrialists have increased the basic cause of difficulties by withholding from sufficient productive investment either from nervousness or for deliberate political reasons. As a result, too much money chases too few goods, with the inevitable price increases.

France is a case in point. The non-socialist government of President Giscard d' Estaing instituted an anti-inflation policy of limiting oil imports and of credit restrictions and taxes on profits. The net result has been to draw criticism from both employers and workers: the latter regard it as a disguised wage freeze and industry dislikes the policy as increasing the burden carried by firms. The mildest critics of d'Estaing regard his proposals as piecemeal, limiting freedom of trade, risking regression, generalized state control and a closed economy from which France has been trying to escape for the last 20 years. The French decision to limit fuel available and to cut back on consumption could certainly damage the prosperous French car industry with Renault alone earning the nation £636 million last year on foreign sales.

imbalanced view

Similarly, West Germany senses a cut back in its prosperity, with up to 4½ per cent of workers out of a job in the industrial heartland of the Ruhr, a cut down in building activity and several building firms going bankrupt and an increasing burden of pensioners. These increasing though relatively little troubles put the European in just the irritably anxious frame of mind to look for more trouble and for scapegoats. As with all such exercises, he secceeds and, led by President Ford's America, sees the root of all evil in the oil producers. It is a grossly imbalanced view but one to be reckoned with politically.

Fortunately, in both the USA and in west Europe, there are those who can see further than present discontents, look for remedies and even see some silver linings and a happier days next year. One such is the US Federal Reserve Chairman, Mr Arthur Burns, who recently told the American Bankers' Association that the banking system remains strong and sound but that there was risk in the widely held belief that a bank in trouble could turn to a government lender in the last resort.

a glut of money

A glut of money—not all of it in "petrodollars" but very much in Eurodollars—has, during the last ten years, tempted some banks to develop new, partly questionable, techniques for expansion with the result that some optimistic carelessness has crept into their working and the quality of some areas of banking has suffered. Every bank failure—in the USA, Britain, West Germany, Italy, Israel, Belgium and, in Austria, two small banks—receives more publicity than it deserves and each shakes public faith.

The new practice of some banks allowing themselves to become short of cash and borrowing on large certificates of deposit and in the Eurodollar market to adjust reserve drains, accomodate new borrowers and meet regular customers' demands for loans is a genuine worry to depositors and damaging to the core of the commercial system. In several countries stricter central regulation is necessary, a matter in which Britain certainly leads in its Bank of England's firm control of the commercial banks' initiatives.

The silver linings and happier days are to be found in such events as Britain's success in obtaining a lower price from the Market for sugar—at below world prices—and thus helping the many in Britain who have come slowly to the view that, Britain being in the Market, had better remain there and help to work with the others for unity and more basically secure economic life in west Europe, if not in the whole continent.

Britain's great experience as a trading nation and as bankers are as much an asset to the continent as freer access to continental markets are an asset to Britain. Similarly, in West Garmany, price increases will probably slow down next year and real economic growth—growth minus the effect of higher prices —should be at least double this year's rate. No responsible economic group anywhere in Europe genuinely expects a world-wide recession next year; it will not be long before the big industrial oil consumers begin to recover and, when that occurs, their recovery will probably be fairly rapid and create demand impulses helping to overcome economic slump in less powerful countries. President Ford's threatening jeremiads are read generally with a quiet smile in Europe.

Any idea that Britain, West Germany, France or any European state—even troubled Italy—is gasping its last economically needs speedy debunking. Recovery will begin soon—if it has not already begun—and the speed of recovery will surprise the world. Some of Britain's North Sea oil will begin to flow from British Petroleum's Forties field probably next year and more steadily till a relatively full flow is achieved six years hence. Norway is already in a period of boom; unemployment there is down to 0.4 per cent and taxation is being reduced—this is good news for Britain also since Norway is one of Britain's largest customers buying there as much as does Japan and as much as the whole of eastern Europe put together. The Norwegian market is still expanding and joint enterprises in developing North Sea oil with British enterprises offer heartening opportunities.

Meanwhile, the Common Mar finance ministers have agreed in princi to a plan by which the Market w borrow money from the Arab oil pr ducers to lend to those member countr most heavily hit by balance-of-payme deficits as a result of increases in prices.

The West Germans, sensing t possibility of a rapid run for funds fro west Europe's more problem states, we quick to insist on strict terms for loa from this new fund—that they must used exclusively to finance an oil balanc of payments deficit, not to redress defic in a national budget. The loan will be us ful in helping further to re-cycle th petrodollar surplus, an aspect of th operation more important than who ge loans for whatever purpose. It will a welcome relaxing of the strain on th western banking system in re-cycling fun from oil producers to industrially-dev loped oil consumers which has bee managed adequately so far but which always a problem. To the Americans, least, it is preferable to new mechanis for re-cycling funds and is a needed Eur pean initiatives in monetary affairs.

INVEST IN KINDNESS

IN SPITE of crime, cruelty, violence and strife which are deplorably prevalent in life, there is deep down in every man a yearning to sympathise and share in others' sorrows and lend a helping hand to those stricken by distress, disease or calamity. It is this fundamental goodness of the human heart that forms the basis of charity and brotherliness.

But charity to be purposeful and effective has to be properly canalized and organised. Often we have heard "I want to help but how?"

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INDIAN RED CROSS SOCIETY

TRADE WINDS

Food Security Council

THE UNION minister for Agriculture, Mr Jagjivan Ram, proposed the formation of a "food security council", on the lines of the UN Security Council, clothed with adequate powers to evolve a world food policy and guide and oversee its implementation. He was addressing the UN World Food Conference held recently in Rome. The leaders of several delegations from Africa, Asia and Latin America, are reported to have concurred with Mr Jagjivan Ram's suggestion. Mr Ram emphatically denied the charge of lack of will, commonly levelled by the developed countries against the developing countries, to raise the level of agricultural production. He pointed out that the charge was unjustified in view of the little resources available in these countries, the existing structure and pattern of world trade, including the restrictive tariff policies of the developed countries, and the historical background of the present phase of their development.

Paper Bank

The current world shortage and rise in prices of newsprint had an unhealthy impact on the developing nations. The only solution to meet this crisis was to establish a World Paper Bank, stated Mr I.K. Gujral, union minister for Information and Broadcasting addressing the current session of the UNESCO recently. He added that due to the shortage of newsprint developing counries were facing a situation in which spread of literacy was in jeopardy and development of education and dissemination of scientific knowledge were getting inhibited. The national and international roles of information were also being circumscribed, he said. He therefore asked the world body to ensure that the special fund envisaged in the United Nations declaration on a new international economic order was also available to developing countries for meeting shortages of paper and newsprint. This fund, he suggested, could be used to meet their immediate needs, help in developing research and alternative methods of paper manufacture and for giving technical and other assistance to build paper and newsprint industry.

Mr Gujral also referred to the dominance of international news agencies which, he said, were presenting a distorted profile of developing countries to the rest of the world. He therefore asked for an international code of ethics for exchange of information. He also suggested that UNESCO should help in building up national news agencies and their groupings into regional organisations, establish an equitable cable rate system and provide technical and other assistance for developing electronic media.

Indo-British Economic Committee

A joint Indo-British Economic Committee is expected to be set up before the end of the year. The two governments have for some time been exchanging views on the aims and scope of the joint committee which will be more or less on the pattern of existing joint commissions between India and some of the countries in Europe. The idea of a joint economic committee was mooted by the Commerce minister, Prof. D. P. Chattopadhyaya during one of his visits to London early this year. The British Secretary of State for Trade readily agreed to the suggestion and both sides decided to exchange notes on the proposed committee. The Commerce Secretary, Mr Y. T. Shah, who was in Britain in the first week of October, pursued the matter with the British government. It is understood that some problems are to be sorted out before the committee can be established. First, there is already an Indo-British Technological group and the ministry of Industrial Development in New Delhi was believed to be keen that this body should continue separately. The British government, on the other hand, was not sure of the need for two bodies with overlapping functions.

Food Aid from Sweden

Sweden is likely to supply 100,000 tonnes of foodgrains to India. This follows talks which Indian Ambassador to Brussels, Mr K. B. Lal, had with the Swedish government officials recently. Meanwhile, the first shipment of 200,000 tonnes of foodgrains out of one million tonnes, which the European Economic Community has agreed to provide India, is expected sometime in December. It will be followed by further shipments at regular intervals. Of the one million tonnes 700,000 tonnes will be on commercial account and the whole deal is expected to be formalised by the council of ministers shortly.

Wire Ropes for Turkey

A bulk cargo of special type steel wire ropes is being air-lifted by Turkey. The order was secured by Usha Martin Black (Wire Ropes) Limited against stiff competition from advanced countries. A consignment of 35 tonnes, having two 10-tonne reels and two 7.30-tonne reels valued at $32,000 will be exported by Usha Martin Black to Turkey, urgently needed for her coal mining industry. As most of the airlines expressed their inability to lift this cargo, the Turkish government has to fly two C-130 aircrafts of the Turkish air force to Calcutta. The aircraft have been specially designed to handle such heavy cargo.

Buses for Zaire

Ashok Leyland has secured the largest ever order awarded to the Indian Automobile Industry. This order with a total value of Rs 10 crores is for the supply of 500 'Comet' single decker buses and an additional 20 per cent of the FOB value as spare parts to the state owned transport company in the Republic of Zaire, a country roughly the size of India. The Ashok Leyland buses are intended for use in the capital city Kinshasa and the surrounding districts. The contract was won in the face of stiff international competition with the active assistance of Ashok Leyland's collaborators, British Leyland.

The order follows the visit of the General Manager of O.T.C.Z. (the state run transport company in Zaire), Mr. Munga Mibinda to Ashok Leyland. Mr Munga was very much impressed by the quality and service life of Ashok Leyland buses operating under conditions very similar to those found in Zaire. This visit was followed by intensive negotiations in Zaire by representatives of Ashok Leyland. Ashok Leyland now holds firm orders for the supply of over 900 vehicles during the next 12 months with a total value of Rs 14 crores. This figure is higher than the total sales achieved by the company in the last five years put together.

Exports to Surinam

This country has won a Rs 12-crore tender for supply of telephone equipment to Surinam in South America, the union Communication minister, Dr S. D. Sharma stated recently. India, he said was now exporting telecommunications equipment to both developing and developed countries such as the UK, New Zealand and Brazil.

The production of the ITI and Hindustan Teleprinters during 1974-75 was expected to be Rs 50 crores and the foreign exchange required for this production programme was of the order of Rs 10 to 11 crores, Dr Sharma said. The balance indicated the savings in foreign exchange. In addition to this saving, foreign exchange earnings this year will be about Rs 1.5 crores.

Convention on Inflation

The Bombay Management Association will be holding a two-day convention on "Inflation and Scarce Resources—Challenge to Management". The convention will be held on November 22 and 23, 1974 at Bombay. The convention will have four working sessions: on Corporate Responsibility; Marketing and Consumer Protection; Procurement and Source Development; and Prices, Wages, Incomes Policy. The sessions will be conducted and chaired by leading figures from management and administration, and there will be papers presented by special study-groups set up for the subjects.

Export Credit

The Export Credit and Guarantee Corporation Limited has decided to enhance the extent of cover from 66-2/3 per cent to 75 per cent of the loss under its post shipment export credit guarantee issued in favour of banks to cover any loss in purchasing, negotiating or discounting of an export bill. This has been done without any increase in the existing premium rate. It was expected that this will enable the banks to offer export finance a little more liberally against export bills.

Exports in 1974-75

India's exports during the last three years have increased by Rs 1,000 crores, reaching the level of Rs 2,450 crores in 1973-74. There has been a 45 per cent increase in exports in the first five months of the current financial year. Judging by the trend, the exports were likely to touch the figure of Rs 3,200 crores in the current year (1974-75), stated Mr A.C. George, minister of state, ministry of Industry and Civil Supplies, government of India, in his inaugural address to the participants of the 26-day workshop for instructors in export promotion. The workshop has been organised by the Indian Institute of Foreign Trade in collaboration with International Trade Centre, UNCTAD/GATT, Geneva, under financial assistance by the Swedish International Development Authority (SIDA).

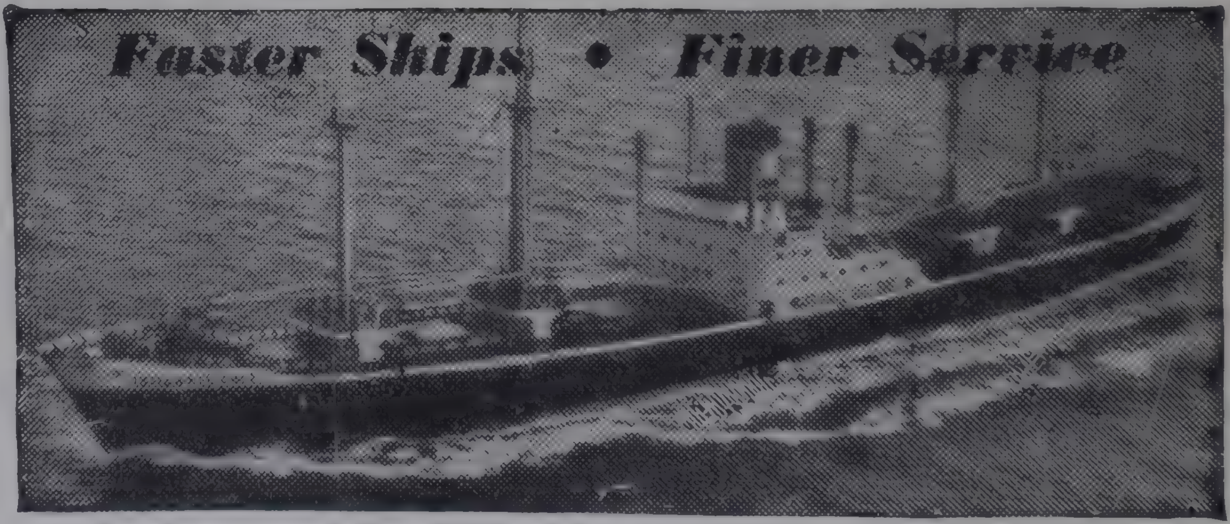
An export entrepreneur, Mr George indicated. should be a balanced combination of knowledge, experience and personality. He must not wait for export opportunities to knock at his door; he must create them by his innovative bent of mind, and sensitivity and responsiveness to the environmental milieu. This called for professionalisation of export management which, Mr George hoped, would be developed and promoted in the the present workshop for instructors in export promotion. Delivering the key-note address, Count Axel Lewenhaupt, Ambassador of Sweden in India, gave briefly the highlights of some Indo-Swedish projects for import promotion into Sweden from India. His country, he added, was keen on absorbing more and more of Indian products, for which it was taking practical measures.

Assistance for Textile Exports

At a recent meeting of the yarn sub-committee of the Indian Cotton Mills' Federation (ICMF) it was decided that a voluntary collection be made from spinning mills, and composite mills selling yarn, so as to collect funds for extending export assistance for exports of handloom cloth, handloom garments, hosiery and powerloom cloth. This decision is subject to ratification by ICMF committee, a meeting of which has been called on November 18, 1974. Such collection, together with refund of non-rebatable taxes by the government on all exports, is expected to result in export assistance being extended at around 10 per cent of the fob value, for shipments made from October 1974.

Fuel Economy

Mahindra and Mahindra Limited, manufacturers of Jeep vehicles in India, in their continuous efforts towards achieving fuel economy for the users of Jeep vehicles introduced significant innovations in their "Maximiler" campaign. During the "Maximiler" campaign, conducted throughout India in February and March this year at various dealer points, the Jeep vehicles were given a thorough diagnostic check of "all Jeep system" which directly or indirectly affected petrol consumption and thus demonstrated the optimum mileage that could be obtained. The present campaign, lasting from October 15 to November 4, introduced two petrol saving innovations —Solex Corburettor Kit and and Free Wheel Flanges. Extensive tests on both innovations were conducted by leading independent authorities and research agencies, fuel economy of five per cent to 25 per cent was achieved



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Distribution of Commercial Vehicles

The union government has decided to ensure a more efficient and equitable distribution system of commercial vehicles. At present, there is no control on their sale and distribution and the manufacturers have prescribed their own systems for distribution. In order to evolve a system of consensus, an informal committee has been set up in the department of Heavy Industry, ministry of Industry and Civil Supplies. The committee consists of representatives of the manufacturers, dealers and users organisations.

In view of the change in the position of availability of commercial vehicles in the country, it has not been considered necessary to make any change for the present in the distribution system *per se* prescribed by the various manufacturers. The informal committee has recommended that government should sponsor priority allotment of vehicles. The manufacturers have assured the government that vehicles would be released forthwith to persons and regions considered eligible for priority release. The priority release of vehicles would relate to educated unemployed, cooperative sugar-cane societies and cooperative societies of self-employed transport operators, backward regions where road transport has not developed adequately and individual operators in cases of extreme hardship. Requests under these preferential categories could be sent to the department of Heavy Industry which will be processed for early release of vehicles on merits. The applicants are expected to arrange finances for their purchase before approaching the government.

The Finance ministry has taken up a detailed study of the cost structure of various manufacturers of commercial vehicles. The Chief Cost Accounts Officer of the ministry has called for detailed information from the manufacturers regarding their costings. Physical verifications are also being made by visits to the manufacturing centres to arrive at the correct cost of production of the vehicles. The Finance ministry's move is obviously intended to check whether the upward revision in prices of certain popular models of commercial vehicles, made by some of the manufacturers earlier last month, is within the parameters laid down by the government.

Public Sector Unit for Electronics

A new public sector undertaking, the Electronics Trade & Technology Development Corporation, has been set up by the Department of Electronics to foster foreign trade and development of technology in the electronics field in the country. The office of the corporation is presently located in New Delhi. Mr. R. M. Nayar, till recently General Manager of the Electronics Division of Hindustan Aeronautics Limited, Hyderabad has taken over as its Managing Director. Prof. M. G. K. Menon, F. R. S., Secretary, Department of Electronics, is the part-time Chairman of the board of directors of this corporation.

In addition to handling import-export trade, the corporation will also act as an agency for promoting inter-governmental cooperation and implementation of bilateral trade agreements relating to electronics. Its activities will include technology assessment for import of know-now, particularly to set up production-cooperation ventures of the type envisaged in many inter-governmental agreements. The corporation will also explore and identify markets for export of electronic items from India and bring this to the attention of government and industry for necessary action. The electronics industry, particularly in the small and medium sectors, will be significantly helped by the setting up of this corporation.

Awards to four Metallurgists

Four metallurgists of the country have been honoured by the ministry of Steel and Mines as Metallurgists of the Year for their contribution in the field of metallurgy. They received a cash award of Rs 3,000 each. The awards were presented on the occasion of the 12th National Metallurgists' Day in Bombay on November 14, 1974. The following were the award winners: (1) Dr. V. S. Arunachalam, National Aeronautical Laboratory, Bangalore. (2) Dr. M. K. Asundi, Bhabha Atomic Research Centre, Bombay. (For outstanding contribution to Metallurgical Research.) (3) Mr K. N. Gupta, National Metallurgical Laboratory, Jamshedpur. (4) Dr. J. J. Irani, Tata Iron and Steel Co. Ltd., Jamshedpur. (For outstanding contribution to iron and steel research and technology.)

Release of Sugar

The union government has ordered the release of 260,000 tonnes of sugar for December, 1974. It will consist of 180,000 tonnes for levy and 80,000 tonnes for free sale.

Sugar Output

According to the Indian Sugar Mills Association (ISMA), the sugar production in the month of September, 1974 the last month of the season 1973-74 was about 24,000 tonnes as against 40,000 tonnes during the corresponding period last season. This brings the total production during the season 1973-74 to 3,949,000 tonnes as against 3,873,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of September, 1974 was about 269,000 tonnes for internal consumption and 54,000 tonnes for exports as against about 3,19,000 tonnes for internal consumption and 17,000 tonnes
for exports in the correspon
ing period last season. T
total despatches during t
season 1973-74 was 3,522,0
tonnes for internal consum
tion and 446,000 tonnes f
exports as against 3,514,0
tonnes for internal consum
tion and 108,000 tonnes f
exports during the correspon
ing poriod last season. T
total closing stock of sug
with the factories on Septe
ber 30, 1974 was about 824,0
tonnes as against about 843,0
tonnes on the same date la
season.

Loan for Fertiliser Projects

The World Bank will gi
loans totalling $200 milli
for the fertiliser projects
Phulpur and Sindri. This w
disclosed recently at a ne
conference by Mr Jashwa
Mehta, Chairman, and M
Paul Pothen, Managing Dire
tor of the Indian Farme
Fertilisers Cooperative(IFFC
which is setting up the Phulp
fertiliser complex in UP. M
Mehta and Mr Pothen, w
had gone as members of
government of India deleg
tion for discussions with t
World Bank authorities, stat
that the Board of Govern
of the Bank was expected
approve the loans on Nove
ber 22. Mr Pothen said th
out of the $200 million as lo
from the World Bank, $1
million was for the Phulp
project and $91 million f
the Sindri project.

Scrutiny of Small Uni

The union minister for I
dustries and Civil Supplies, M
T. A. Pai, stated recently th
stringent measures should
taken to "weed out" bog
units in the small-scale sect
The census of small indust
had shown that around fi
per cent of the registered un
were bogus. A large numb
of such units generally de
with the sale of scarce r
materials and did not do a
manufacturing. Mr Pai, w
was addressing a meeting
the Small-scale Industr
Board, pointed out that t
elimination of bogus un
would make it possible f
genuine ones to get bet

partmental, banking, techni- l and financial assistance.

xamination of Licences

The union minister for dustries and Civil Supplies, r T. A. Pai, has asked s department to issue mediately suitable instruc- ns to all production minis- es for a more meaningful amination of all applications r industrial licences. He has so directed that the position garding automatic registra- on with the DGTD of units hich did not require licences r imported raw material ould be clearly spelt out. he Industries minister's direc- ons were issued in the light f the discussions at the State dustries Ministers Conferen- e held recently. One of the oints that emerged from the onference was that the man- er of the centre's communi- ation of decisions on the censing applications to either e entrepreneurs or the states ft very much to be desired. he decision to reject in application, based on the re- mmendations of the licens- g committee should give the recise reasons why the overnment had deemed it fit do so. Moreover, the nguage should not give the npression that the applica- on had been disposed of in routine fashion.

ut in Truck Tyre rices

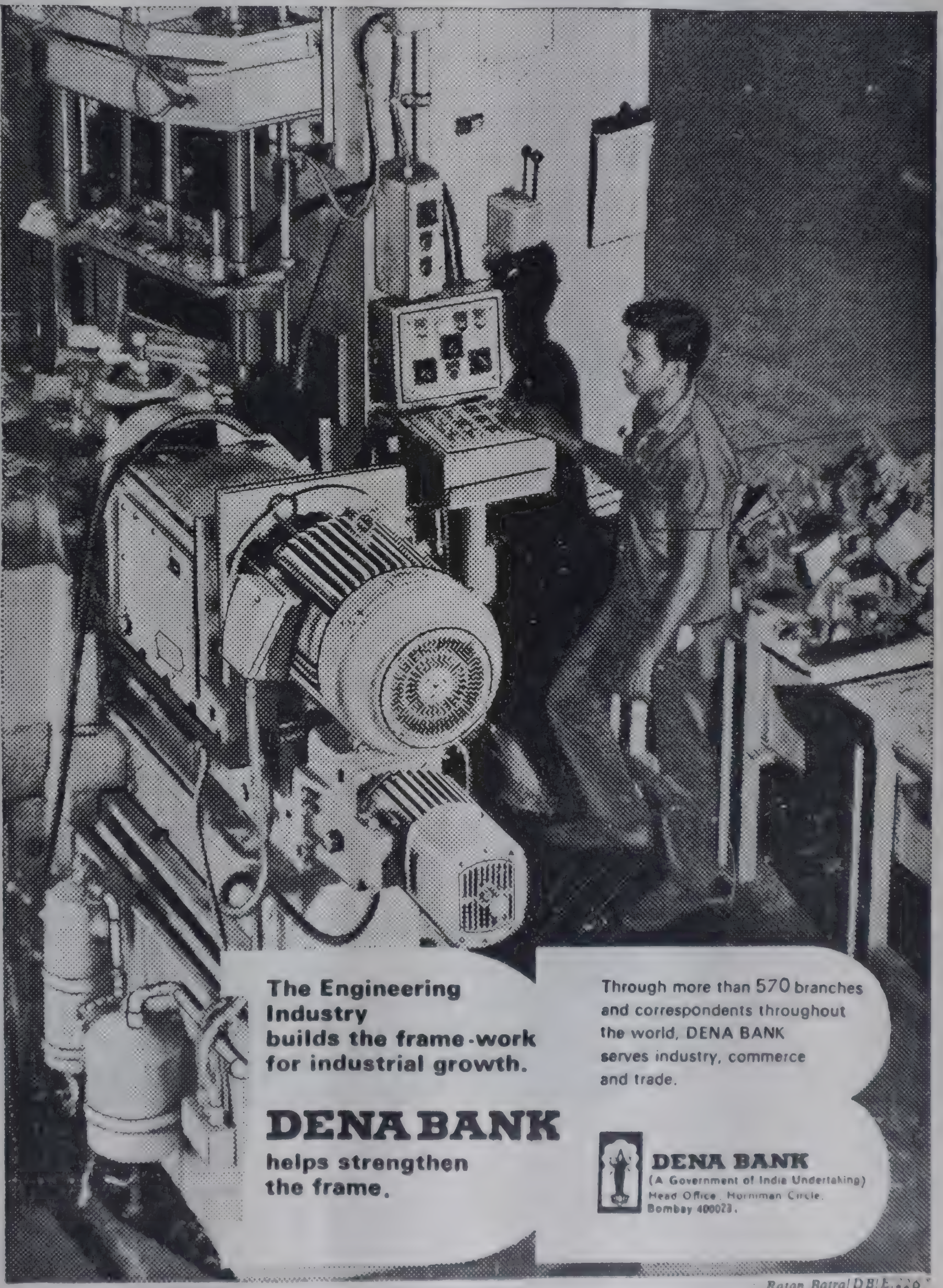
The tyre manufacturers have ken a lead to cut prices of uck tyres. They have agreed slash the prices between s 35 and Rs 40 per piece with fect from November 9. This llows the intervention of the nion minister for Industries, r T. A. Pai, who told them at there was no justification r maintaining the present ice level in view of the fall rubber prices. The manufac- rers readily agreed and have omised to examine the asibility of cutting prices of uck tyres and other products rther.

ole Agency in Paper bolished

The union government has cided to abolish the sole ency system of paper distribution. Disclosing this at a seminar on Democracy, Socialism and Public Sector, the union minister for Heavy Industries, Mr T. A. Pai stated recently that the sole-agency system had led to large-scale corruption. He pointed out that while the country faced an acute shortage of paper, paper mills which had obtained permits for expansion, had not utilised them. He added that the government would maintain control over the paper industry by registering consumers and abolishing the present system. Mr Pai pointed out that he had already reviewed the paper production pattern and had instructed mills that at least 35 per cent of the production should be of writing paper.

Names in the News

Mr G. P. Goenka, Chairman, Indian Tea Association, announced recently that the members of the association have agreed to contribute a sum of Rs 35 lakhs for the relief of the distressed people in Assam and North Bengal.



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COMPANY AFFAIRS

Dull Trading

THE TURNOVER of business was on a reduced scale in the tock market last week. Narrow fluctuations characerised trading as operators were reluctant to enter into resh commitments. There was nothing much to cheer the stock exchange fraternity except the hint thrown by Mr T. A. Pai, minister of ndustry and Civil Supplies, that the government might consider fixing a reasonable return on capital employed nstead of resorting to price controls. There is however disappointment that despite swift sanctioning of industrial licences and letters of intent, the industrial growth in 1973-74 has been only of the order of 0.5 per cent. It is not surprising therefore if a feeling is gaining currency among business circles that recession is round the corner. This being the state of the economy one naturally cannot expect the stock market to be in good shape.

Interest was at a low ebb in Dalal Street last week with trade disinclined to enter into fresh commitments. Steels were easy. Chemicals were quite. Textiles generally hardened. Shippings were steady. The Calcutta Stock Exchange looked desolate and depressed with a recessionary trend persisting during the week under review. The support was so feeble that it failed to have any impact on the market. Fluctuations were narrow and the volume of business was extremely limited. Once again it was only select scrips that came in for attention during a week of moderate trading in Madras Stock Exchange.

Man-Made Fibre

While addressing the twentieth annual general meeting of the Association of Man-Made Fibre Industry, the President Dr C. Rossi commended the industry's role in expanding production in meeting cloth requirements in export promotion and in helping weavers. Describing the voluntary agreement between rayon spinners and weavers as one that "indeed blazes the trail of a new approach to inter-industry understanding" he said, "it has at least shown that without official interference it would be possible to sort out many of the problems of the different sectors of the industry to their mutual advantage."

What is causing grave concern to the industry at present is the irregular and inadequate supply of its basic raw materials. In fact a crisis has emerged because of the acute shortage of rayon grade wood pulp. The industry in fact had foreseen this acute short supply position of both textile as well as tyrecord grade wood pulp as far back October, 1973, and requested the authorities to take suitable action. As no effective steps have been taken so far, Dr Rossi has suggested that this matter might be discussed with the accredited representatives of the USA during their visit to this country sometime towards the close of the year so that adequate supplies of this critical raw material, both on short term as well as long term basis, is assured for the industry. Another major difficulty relates to the supply of caprolactum, the basic raw material for nylon. However, with the commencement of production of Gujarat State Fertilisers caprolactum plant, the current tight position has been eased to some extent. But the industry has to contend with the problem of high prices. With the imposition of 50 per cent by way of excise duty, the price is in the region of Rs 41,000 per tonne as compared to about Rs 22,000, for the imported material. This will naturally be reflected in higher costs of nylon fabrics making them too costly for Indian consumers and virtually impossible to be competitively priced for export.

Although the man-made fibre industry is a priority industry and an essential commodity, the government unfortunately has imposed a twenty per cent cut in the supply of furnace oil. But as the government is considering a proposal to allow import of furnace oil to export-oriented industries, it is very essential that this export-oriented industry also is included under the exemption category, and if this is not possible the government should at least allow this industry to import furnace oil to the required extent against the foreign exchange earned by the industry. Moreover as against Rs 21.00 crores exported during 1973-74 the target for export of rayon fabrics is fixed higher at Rs 30 crores. The requirement of foreign exchange of the rayon spinning sector for import of wood pulp, sulphur, and zinc at present is estimated to be at Rs 19 crores. Since export earnings have exceeded the amount of foreign exchange required it is suggested the government should grant import licence or letter of authority to the spinning units so that supply of wood pulp to the manufacturing units is assured, yarn is made available on a continuous basis to the exporting units and tempo of export trade is maintained.

Dr Rossi also referred to the phenomenal increase in excise duty and observed that "the excise duty element in the selling price constitutes a very big factor proving to be a burden for the entire man-made textile industry, spinners, weavers and the ultimate consumer". As man-made fibre industry in general and cellulosic fibre industry in particular can no longer be considered a luxury industry meant essentially for the affluent, the industry richly deserves some relief. Hence it is suggested that the heavy excise duty imposed on the industry be revised downwards taking into consideration especially its growth perspective and its capacity to stabilise the entire textile industry in particular.

Escorts

Escorts has received approval from the Controller of Capital Issues for the issue of bonus shares in the proportion of one share for every two held. The company expects to make allotment of shares by the end of the year 1974. The year 1974 for all industries in the states of Haryana and Punjab has been the year of unprecedented power shortage. The power cut has been varying from 60 per cent to 90 per per cent and, not unoften, power availability has been barely for 10 to 12 days in a month.

Despite the power crisis, shortage of materials, six weeks of illegal labour strike in the early part of the year, Escorts has succeeded in bettering its sales for the nine months ended September 1974 by Rs 4 crores and improving profits before taxation by Rs 50 lakhs in comparison with the same period of the previous year. The sale figures and profit figures (subject to audit) for the nine months of working of the current year are Rs 40 crores and Rs 2.30 crores respectively. But for the persistent, power shortage, inadequate supply of raw material and component parts, both indigenous and imported, the company would have achieved its plans for production and sales for the year 1974. The production and sales and the profitability for the full year 1974 will entirely depend on the availability of power supply in the remaining 8 to 10 weeks of the year. The results of the company are expected to be better than the previous year if power supply is maintained even at the present level, since the company had installed its own diesel generators to partially fill in the power gap.

The company has already more thon doubled its exports since last year. Achievement of higher sales and improvement in profits, in spite of adverse economic conditions, power shortages and lack of materials bears testimony to the determination of the management to overcome the difficulties by making greater efforts to utilise the resources available to the maximum and keeping control on costs which are ever rising. Expansion programme of the company has been delayed on account of non-allotment of foreign exchange by the government and credit scarcity but the company is sparing no efforts in exploring all avenues to find the resources for completion of its expansion plans.

Indian Aluminium

Sales revenue, including excise duty, of Indian Aluminium Company Ltd in the first six months of 1974 totalled Rs 275.3 million, slightly lower than the Rs 280.5 million achieved in the comparable period of 1973. Shipments of ingots at 15,890 tonnes and semi-fabricated products at 13,585 tonnes were lower than in the first six months of 1973 due to transport difficulties and delays in offtake by customers affected by the credit squeeze. Despite lower shipments and spiralling raw material costs, pre-tax profit of the company for the first half of 1974 at Rs 27.3 million was only marginally lower than in the corresponding period of 1973. This was due partly to increase in selling prices of foil and extrusions early in the year when raw material costs increased, and an increase of Rs 1,090 per tonne permitted by the government in the selling price of metal and other price-controlled products towards the end of May 1974.

The profit for the half-year also includes the write-back of leave pay provision reserve no longer required. The booking of tax holiday relief on the first stage of the Belgaum smelter significantly reduced the required provision for taxes. Net profit of Rs 15.2 million compares with Rs 13.3 million earned in the same period of 1973 and Rs 23.5 million earned in the same period of 1972. Power shortages restricted the company's metal production in the half-year to 36,087 tonnes, about 70 per cent of effective capacity. At the Hirakud smelter, power cuts and interruptions during the half-year resulted in loss of metal output of about 24 per cent of capacity. Erratic power supply adversely affected purity of metal at all smelters.

The Karnataka Electricity Board has not yet sanctioned additional power for the new 20,000 tonnes smelter at Belgaum and thus production of metal from the new smelter was negligible. Discussions in this behalf are continuing with the authorities and directors are making every effort to secure the requisite amount of power for the new smelter. With metal shortage and frequent load-shedding, output of rolled products was also adversely affected. The company's alumina plant at Muri had to be shut down for 45 days due to non-availability of rail transport for the movement of bauxite from the mines at Lohardaga. The first half of the new 20,000 tonnes smelter at Belgaum was completed at the end of 1973. Completion of the second half of this project has been delayed and is now expected about the end of 1974. Industrial licences from the government for the proposed expansion of fabricating facilities are still awaited.

The company's recent share issue was over-subscribed. Allotment to applicants for new shares was completed in March 1974. The first call on these shares was made in August 1974. In view of the provisions of the Companies (Temporary Restrictions on Dividends) Act 1974, the directors are unable to declare an interim dividend for 1974.

Premier Automobiles

Premier Automobiles working results for the year ended June 30, 1974 shows a further improvement over the previous year's performance. Sales and profits are higher than in the preceding year though margins are slightly under pressure. Sales during the year spurted by 30 per cent to Rs 52.10 crores from Rs 40.17 crores while gross profit went up by only seven per cent to Rs 2.13 crores from Rs 1.99 crores in 1972-73. The profit growth was inhibited by steep increase in the cost of raw materials, components and labour cost against which increase in the prices of vehicles were considerably delayed. After charging depreciation with Rs 135.40 lakhs as against Rs 133.96 lakhs in 1972-73, the net profit worked out to Rs 77.22 lakhs as compared to Rs 65.22 lakhs in the preceding year. After taking into credit the price difference arrears collected and after making other adjustments the surplus amounted to Rs 139.56 lakhs. Out of this, the directors have provided Rs 114.26 lakhs towards arrears of depreciation and Rs 25.10 lakhs towards development rebate reserve. The directors have skipped the dividend for 1973-74.

Gontermann-Peipers

Gontermann-Peipers (India) Limited is taking steps for expansion of the unit only to the extent justified by the trends of demand. The facilities available in the machine shop are inadeqnate for fuller utilisation of the plant's capacity. The company had installed, as per original project programme, 14 tonnes capacity electric arc furnace and a eight tonnes capacity induction furnace. The facilities available in the melting shop are sufficient to yield production upto the licensed capacity of 5040 tonnes per annum while facilities available in the machine shop after completion of t
first phase of the expansi
scheme can yield producti
upto 3600 tonnes per annu
The company has, therefo
to install a few balancing equ
ments in the machine shop f
the fuller utilisation of t
licensed capacity of the pla
Hence the directors have to
vise the second phase of t
scheme commensurate with t
changes in the pattern of d
mand of rolls.

The company had alrea
applied for import of capit
goods. Barring unforese
contingencies, producti
with augmented faciliti
is expected to start by t
end of 1976. The company
a pioneer in the export
rolls. The first export w
made in 1970. During 1973-
the company exported its pr
ducts to Bangladesh. Duri
the current year so far t
company's products have bee
shipped to Philippines, Ho
Kong and Thailand. Furth
negotiations for export of ro
are being made with so
buyers in the Republic
Korea, Kenya, Thailand, Ind
nesia, Malaya and Banglade
too. Hence the potentiali
for export of rolls are inde
very bright.

The utilisation of the cap
city of roll industry in the la
two years have to be kept b
low their rated capaciti
due to shortage of orders
rolls from the steel plant pe
haps due to their having
high level of inventory bu
up over past years. As t
viability of roll industry d
pends on orders from ste
plants, manufacturers ma
several representations to t
government for inducing t
steel plants to release orde
for rolls. It is gratifying to no
that the steel plants are n
releasing order for rolls a
that the order position of t
company is now quite satisfa
tory.

Brooke Bond

At the board meeting he
on October 4, 1974, the Dire
tors of Brooke Bond India L
decided to recommend to t
shareholders that for t
period from July 1, 1973

e 29, 1974 a final divi- d at the rate of ten paise share (subject to deduc- n of tax) be paid out of the eral reserve of the company all members whose names pear on the register of mbers as at the close of siness on November , 1974. The register of mbers and the transfer oks will be closed from vember 15, 1974 to Novem- r 28, 1974 both days clusive.

ews and Notes

Chloride India Limited will troduce into market in the urse of next month its new neration Exide Supreme olypropylene battery for utomobiles. It has claimed at the new battery offers 20 er cent more power volume nd power weight ratio nd about 10 per cent higher e expectancy.

Motor Industries Company s decided to apply to the uthorities for paying an in- rim dividend of six per cent or 1974 with pro-rata divi- end on the partly paid shares. he dividend will be declared nd paid after permission for e same is received from the overnment under the Com- anies (Temporary Restrictions n Dividends) Act of 1974.

Consolidated net income of **merican Express Company** nd its subsidiaries for the nine onths period increased to 121.2 million, or $1.68 per hare, compared with $112.9 million, or $1.56 per share for he same peiod last year. For he third quarter of 1974. con- olidated net income increased o $46.7 million, or $0.65 per hare, compared with $46.2 mil- ion, or $0.64 per share, in the hird quarter of 1973. The trong increases in earnings by American Express travel re- ated and other financial busi- esses more than offset the cyc- ical decline in insurance earnings.

Earnings from the company's banking subsidiaries were excellent due in part to continuing growth in its basic international commercial banking activities. Increased deposits were largely responsible for this fine performance. American Express International Banking Corporation and its subsidiaries are located in more than twenty countries around the world and results are therefore not dependent on business and economic conditions in any one area.

Mr I.H. Parekh, President of the **Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.** (GRASIM), has been elected President for the year 1974-75 of the Association of Man-made Fibre Industry at the Association's annual meeting held in Bombay on October 29. A post-graduate in chemical engineering of the University of Michigan, USA, Mr Parekh, 51, has been at the head of the prestigious, 27-year-old Gwalior Rayon, a pioneer in the manufacture of rayon grade pulp from out of wood for the manufacture of staple fibre and rayon filament, for the past 23 years. He has currently on hand plans for export of the entire staple fibre plant and machinery, which also GRASIM specialise in fabricating indigenously, to some of the south-east Asian countries.

New Issues

Northern India Glass Industries will be entering the capital market shortly with a public issue of Rs 82 lakhs divided into Rs 72 lakhs in equity shares and Rs 10 lakhs in 11 per cent cumulative redeemable preference shares. Of this, equity shares of Rs 10 lakhs will be reserved for firm allotment to financial institutions. The company is setting up a sheet glass plant at Sankhol in Haryana state with a licensed capacity of five million square metres per annum, The company has entered into an agreement with Penne Kemp KG of West Germany for the supply of technical drawings of furnace, besides the company has entered into an agreement with Shree Vallabh Glass Works for providing technical assistance. The company is also planning to import from W. Germany the glass drawing machine and oil firing equipment through Penne Kemp.

As a major portion of the company's product is expected to be consumed in the northern region itself the company does not anticipate any difficulty in marketing its products. The capital cost of the project is estimated at Rs 3.40 crores. It will be financed by the share capital of Rs 1.30 crores, rupee-term loans of Rs 142.76 lakhs, foreign currency loan of Rs 52.24 lakhs and unsecured loans and deposits of Rs 15 lakhs.

Capital and Bonus Issues

Consent has been granted to nineteen companies to raise capital amounting to over Rs 7·50 crores. Following are the details:

Hindustan Gas and Industries Ltd, Calcutta have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 18,37,500 only.

Primco Pvt. Ltd, Bombay

GOVERNMENT OF INDIA

5¼% PER CENT LOAN 1978 TO BE ISSUED AT RS. 100.00 PER CENT. AND REPAYABLE AT PAR ON 22ND OF NOVEMBER 1978

6% PER CENT LOAN 1988 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 22ND NOVEMBER 1988.

6¼% PER CENT, 1997 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 22ND OF NOVEMBER 1997.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 175 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

3. Interest on the loans will be paid half-yearly on 22nd May and 22nd November. Interest on all the loans now issued together with interest on other previous Government Securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act. 1961. The value of the investments in the loans now issued together with the value of the other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000.

4. Subscription lists will open on 22nd of November 1974 and close on 25th of November 1974 or earlier without notice.

Applications for the loans will be received at :

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.
(b) Branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at Hyderabad; and
(c) Branches of the State Bank of India at other places in India.

For full particulars please apply to any of these Offices or branches.

have been accorded consent, valid for three months, to capitalise Rs 1,73,400 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of seven bonus shares for every 15 equity shares held.

Mayurdhwaj Magnesia Works Pvt. Ltd have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 1,20,000.

Arbuda Mills Ltd, Ahmedabad have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 10,50,000 only.

Escorts Ltd, Delhi have been accorded consent, valid for three months, to capitalise Rs 174,18,240 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Wyeth Laboratories Ltd, Bombay have been accorded consent, valid for three months, to capatalise Rs 15,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every one equity share held.

Sandoz (India) Ltd, Bombay, have been accorded consent, valid for three mouths, to capitalise Rs 37,50,000 out of general reserve and issue fully paid equity shares of Rs 10 each. as bonus shares in the ratio of one bonus share for every four fully paid quity shares held.

The Silver Cotton Mills Co. Ltd, Ahmedabad has been accorded consent, valid for three months, to capitalise Rs 40,09,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Remington Rand of India Ltd, Calcutta have been accorded consent for issue of further capital of Rs 25,59,000 in the form of equity shares of Rs 10 each for cash at par as to Rs 150,000 to the employees of the company and the balance of Rs 24,09,000 to general public through a prospectus. The consent is valid for a period of 12 months.

Vulcan-Laval Ltd, Bombay have been accorded consent, vaild for a period of 12 months, for issue of further capital of Rs 300,000 in 30,000 fully paid equity shares of Rs 10 each to be allotted to the I.C.I.C.I. at a premium of Rs 5 per share on conversion of a portion of their loan already sanctioned to the company.

The Mysore Kirloskar Ltd, have been granted consent valid for 12 months for the issue of equity shares worth Rs 40,00,000 to the existing shareholders on rights basis.

Anglo American Marine Company Ltd, Bombay have communicated to government their proposal to issue capital under Clause 5 of the Capital, issues (Exemption) Order, 1969 to the value of Rs 56,00,000 in 5,60,000 equity shares of Rs 10 each (inclusive of capital of Rs 10.00,000 already raised) and Rs 15,00.000 comprised in 15,000 cumulative redeemable preference shares of Rs 100 each.

McNally Bharat Engineering Co Ltd, Calcutta has been granted consent for issue of further equity shares amountto Rs 47,86,500 to be issued in the denomination of Rs 10 each to the public through a prospectus. The object is to reduce the non-resident holding from 65 per cent to 38.3 per cent.

Shree Gopal Steels Ltd, New Delhi have communicated to government their proposal to issue capital under Clause 5 of the Captital Issues (Exemption) Order, 1969 for the value of Rs 44 lakhs (inclusive of the capital already raised) in the form of 3,55,000 equity shares of Rs 10 each and 8,500 cumulative redeemable preference shares of Rs 100 each.

Somani Ferro Alloys Ltd, Calcutta have communicated to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 41.56 lakhs (including capital already raised), divided into 3,30,600 equity shares of Rs 10 each and 8,500—11 per cent cumulative redeemable preference shares of Rs 100 each, for cash at par, out of which equity of Rs 19.84 lakhs and the entire preference capital of Rs 8.50 lakhs will be offered to the public through a prospectus.

Kirloskar Tractors Ltd, have been accorded consent for the issue of registered convertible debentures worth Rs 25,00,000 carrying interest at the rate of 10-1/2 per cent per annum to be privately placed with the Unit Trust of India.

J. K. Industries Ltd, have been accorded consent for iss of capital of Rs 100,00,000 10,00,000 equity shares Rs 10 each to be issued f cash at par, privately to t promoters, directors, etc., the company. The consent valid for 12 months only.

Panchkula Malt Ltd, ha communicated to governme their proposal to issue capi under Clause 5 of the Capi Issues (Exemption) Order, 19 to the value of Rs 42,00,0 (including capital already ra ed) in 4,20,000 equity shar Rs 10 each. fer cash at pa out of which shares wor Rs 28.00,000 will be offer for public subscription.

Bharat Processing Indu tries Ltd, Distt. Bankur West Bengal have been giv an acknowledgement to th statement of proposals, va for a period of 12 months, f issue of equity shares wor Rs 40,00,000 and cumulati redeemable preference shar worth Rs 7,50,000 to be issu privately.

Dividends

(Per cen

Name of the company	Year ended	Equity dividend declared f	
		Current year	Previous ye
Higher Dividend			
Periyar Chemicals	June 30, 1974	12.0*	Nil
Madhavnagar Cotton Mills	June 30, 1974	12.0	7.0
Same Dividend			
Ashoka Cement	March 31, 1974	Nil	Nil
IISCO Stanton Pipe	December 31, 1973	10.0	10.0
Khatau Dyes & Fibres	June 30, 1974	Nil	Nil
Southern Steel	May 31, 1974	10.0	10.0
Reduced Dividend			
Neelamalai Tea & Coffee Estates	June 31, 1974	Nil	5.0
Calcutta Steel	March 31, 1974	Nil	10.0
Indian Steel Rolling Mills	March 31, 1974	9.0	10.0
Methur Beardsell	March 31, 1974	12.0	25.0
Cowcoody Estates	June 30, 1974	12.0	20.0
Jeypore Sugar Co.	June 30, 1974	12.0	20.0
Coffee Lands	June 30, 1974	5.5	18.0

*Maiden dividend.

Foreign collaborations

DURING THE quarter ending September, 1974, 60 cases of foreign collaboration were approved. Out of these, 55 cases were or technical cooperation and five included financial participation also.

The items of manufacture for which collaborations were approved included fibre glas road tankers, pulp and paper making machinery, flywheel ring gears, calcium carbide, laminated paper, steam turbines, drilling rigs, steel forgings, automobile tyres nd tubes and glass reinforced thermoplastics.

The collaborating countries are Australia, Belgium, Czechoslovakia, Federal Republic of Germany, Finland, France, Italy, apan, Norway, Romania, Sweden, Switzerland, the UK and the USA.

Sl. No	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
	1	2	4
		India-Australia	
1.	M/s Indian Rare Earths Ltd., Pil Court, M.K. Road, Bombay-400020.	M/s W.G. Bennet & Associates Pty. Ltd. Suite 8, Milton Shopping Centre, Milton (Old), Australia.	Consultancy services for mining and pre-concentration of beach sand minerals.
2.	M/s Kerala Minerals & Metals Ltd. P.B. No. 30, Quilon (Kerala).	M/s Australian Mineral Development Laboratories Ltd., Frewville, South Australia.	Consultancy services for expansion of existing unit.
		India-Belgium	
3.	M/s FRP Moulding Company Pvt. Ltd., 3, Chittaranjan Avenue, Calcutta-13.	M/s N.V. Didak S.A., Bouwelsteenweg 1, B-2280, Grobbendenk, Belgium.	Fibre Glass Road Tankers.
		India-Czechoslovakia	
4.	M/s Hindustan Hydraulics, G.T. Road, Suranussi-144027 (Jullundur).	(i) M/s Vychodoslovenske Strojarne, Kosice, Czechoslovakia. (ii) M/s Polytechna, Vaclavasken, 8, Praha-1, Czechoslovakia.	Friction Screw Presses for the Refractory Industry.
		India-West Germany	
5.	M/s Bharat Heavy Electricals Ltd., Kasturba Gandhi Marg, New Delhi.	M/s Siemens Atkiengeselschaft, Erlangen, Federal Republic of Germany.	High-Speed Drive Steam Turbine.
6.	M/s Engineering Projects (India) Ltd., Himalaya House, Kasturba Gandhi Marg, New Delhi-110001.	M/s Demag Altiengesselschaft, Duisburg, F.R.G.	Electric Arc Furnaces and Electric Reduction Furnaces.
7.	M/s Hein Lehmann (India) Limited, 14/7, Mathura Road, Faridabad.	M/s Conradi Helmut, 2900 Oldenburg, Sandweg 38, F.R.G.	Pure Nickel Liners.
8.	M/s Vithal Vaman Muthye,1 1, Shamshet Street, Bombay-2.	M/s Tendeo Work, Adolf Ness, 5650, Solingen, F.R.G.	Razor Blades.
9.	M/s The Metro Wood and Engg. Works Pvt. Ltd., NK House, Ashram Road, Narangpura, Ahmedabad-9.	M/s Sedflex Schleifmittel, Walter Knott, 7312, Kirchhein Lindrefkirchheinev Strasse, Be 27, Federal Republic of Germany.	Plant and Machinery for Synthetic Bonded Grinding Wheels and Abrasives.
10. (F)	Lala Shridhar 20, Ballygunge Parkk Road, Calcutta.	M/s INA — Nadellager GmbH, Rheinstrasse BC 17, Lahr/Schwarzwald, F.R.G.	Needle Roller Bearings etc.

F—Cases involving financial participation.

1	2	3	4
11.	M/s Colour-Chem Ltd. Ravindra Annexe, Dinshaw Vachha Road, 194, Churchgate, Reclamation, Bombay.	M/s Bayer AG. 509 Leverkrusen— Bayerwerke, F.R.G.	Phosphor free intermediates for Pes cides.
12.	M/s Elcon Engineering Co. Limited, P.B. No. 6, Vallabh Vidyanagar, Gujarat State, Postal Code: '388120.	M/s Eisenwerk Weserhutte, F.R.G.	Bucket Wheel Stacker Reclaimer.
13.	Ministry of Railways, Railway Board, Rail Bhavan, New Delhi.	M/s Dyekarthoff and Widrann, F.R.G. Munich, F.R.G.	Prestressed Concrete Sleepers.
14. (F)	M/s Etscheid India Pvt. Ltd., 1/8 Prince Golam Md. Road, Calcutta-26. (Composite case).	M/s Sermann Etscheid, DHG, F.R.G.	Dairy Equipment.
15.	Managing Director, NGEF Limited, Off Old Madras Road, Post Bag 3876, Bangalore-560038.	M/s Klose Kommandit Gesellschaft Fabrik Fur Electro Technik and Maschinenbau, Nilchendach, F.R.G.	A.C. Roller Table Motors.
		India-Finland	
16.	M/s Giovanola-Binny Ltd., Penstock Factory Road, Palluruthy, Cochin-6, Kerala.	M/s Ahlstrom Oy Helsinki, Finland	Pulp and Paper Making Machinery.
17.	M/s Furhan Chemicals and Fibres, C/O Mr. B.T. Kulkarni, M.P., 173, South Avenue, New Delhi.	M/s Oy. W. Rosenlew Ab. Pori, Finland.	Furfural.
		India-France	
18.	Mr Suresh K. Shah, Ramon House, 169, Backbay Reclamation, Bombay-400020.	M/s SA Defontaine, 42, 44 Boulevard Jules-Verne, Nantes, France.	Flywheel Ring Gears.
19.	M/s Krebs & Cie (India) Pvt. Ltd.,, 3A, Auckland Place, Calcutta-700017.	M/s Krebs & Cie S.A., Paris (France)	Electrroytic Mercury Cathode Cells.
		India-Italy	
20.	M/s South India Viscose Limited, P.B. No. 1396, Race Course, Coimbatore. (Tamil Nadu).	M/s Italy Viscosa Eastern Trading SPA, Milan, Italy.	Polynosic Fibre.
		India-Japan	
21.	M/s Bharat Electronics Limited, Jalahalli, P.O. Bangalore-560013.	M/s Nippon Electric Co. Ltd., 33-1, Shiba Gochome Minato-ku, Tokyo (Japan).	Specialised types of Ceramic Transmitti Tubes.
		India-Norway	
22. †	M/s Panyam Cement and Mineral Industries Ltd., Cement Nagar P.O. Pin Code 518206 Via Bugganipalli, R.S. Kurnool Dt. (AP).	M/s Elkem Spigerverket AS, Oslo, Norway.	Calcium Carbide.
		India-Romania	
23. (F)	M/s Kamsons, 267, N.S.C. Bose Road, Madras (Tamil Nadu).	M/s Leaher Central Spl., Unirti 96, Bucharest, Romania.	Glove Leather, Garments Leather, etc.
		India-Sweeden	
24. †	Mr M.M. Mohanka, Partner, Techno Enggr. 183, 'G' Block, New Alipore, Calcutta (composite case).	M/s Skega Aktieholag, Sweden.	Specialised Wear Resistant Rubbe Components and specialised Moulde Wear Resistant Products.
25. (F)	M/s Indian Dairy Corporation, Yashkamal, Lokmanya Tilak Road, Baroda.	M/s Tetra Pak Development Limited, Sweden.	Laminated Paper.

(F)—Cases involving financial participation.
† This approval relates to January 74.

Century Rayon

AN EXAMPLE OF SOCIAL RESPONSIBILITY

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligations to the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

In spite of runaway inflation in the cost of raw materials and other inputs such as labour, spares, fuel and water, Century Rayon sets another example by holding the priceline for its products.

PROFESSIONAL MANAGEMENT:

Besides the philosophy, the secret lies in its professional management. Maximum decentralisation and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making process in each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:

Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three segments, viz. a) the small scale suppliers; b) the small processors who use Century's bye-products and waste products; c) a large nation-wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in three ways—
a) by providing finance;
b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:

How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS:

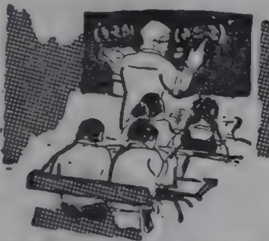
Why is it that the Century Rayon Tyrecord is equal to the world's best?

The testimony is constantly rising exports to sophisticated international markets.

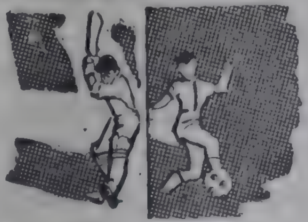
The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

EMPLOYEE WELFARE:

Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society.
They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 50 bed hospital, and free medicine.



Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere-all these amenities constantly growing in size and quality.



Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

COMMUNITY SERVICE.

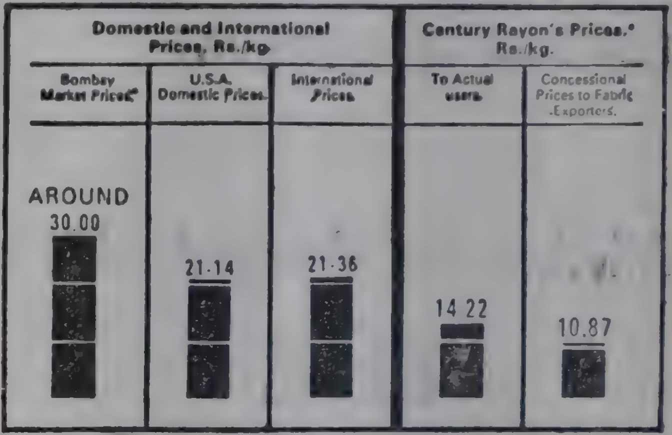
In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

RESEARCH AND DEVELOPMENT.

Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

HOLDING THE PRICE—LINE AND ENSURING FAIR DISTRIBUTION.

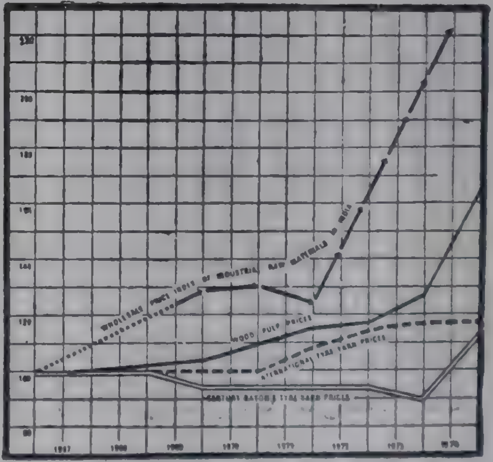
(1) RAYON FILAMENT YARN.



*Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.

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	2	3	4
	M/s English Electric Co. of India Limited, Pallavaram, Madras-600043.	M/s The General Electric Co. Ltd., 1, Stanhope Gate, London WIA TEH, UK.	Phase Comparison Protection Schemes, Intertripping Systems.
		India-USA	
	M/s Bharat Heavy Electricals Ltd., Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi.	M/s USS Engineers & Consultants Inc., 600 Grant Street Pittsburgh, Pennsylvania, 13230, USA.	Drilling Rigs.
	M/s Sudarshan Chemical Industries Pvt. Ltd., 162, Wellesley Road, Poona-1.	M/s Allied Chemical Corp., Morris Township, Mooristown, N.J. 07960 USA.	3:3 Di-chloro-benzidine Dihydro-Chloride.
	M/s Protecto Engineering (P) Ltd. Beaumont Chambers, 27/33 Meadows Street, Bombay.	(i) M/s Peabody Pernes Inc., 651 North Main Street, Mansfield USA and (ii) M/s Gould Century, Century Electric Division, Missouri, USA.	Electrically Operated Submersible Pumps.
	Mr Vivek N. Bhaskar, P.O. Ishwar Nagar, New Delhi-110020 (Composite case).	M/s Kaiser Refractories of USA.	Refractory Monolithics and Bonds.
	Mr N.S. Sethuraman, Post Box No. 2763, 175/1 Mount Road Madras.	(i) Westinghouse Electric Corp., Pittsburgh, Pa. USA.	HRC Fuses of 11 KV and above.
	(USA/UK joint collaboration).	(ii) EMP Electric Division, Bowthorpe Hellermann Ltd., UK.	Medium Voltage HRC Fuse Links
51.	M/s Alfred Herbert (India) Ltd., 13/3 Strand Road, Calcutta.	M/s Devlieg Machine Co., Fair Street, Royal Oak, Michigan, USA.	Horizontal Spindle Jig Boring and Milling Machines.
2.	M/s Bharat Forge Co. Ltd., Post Box 57, Mundhwa, Poona-1.	M/s Sifco Industries Inc., USA	Steel Forgings.
	M/s Animate Affiliates P. Ltd., S-304,/ Lal Bahadur Shastri Marg, Muluud, Bombay-80-NB.	M/s P.R. Mallory & Co. Inc., 3029 East Washington Street, Indianapolis, Indiana (USA).	Welding Tools.
	Mr Sitaram Kadia, "Sagar Jyoti", Plot No. 18, 6th Road, Juhu, Vile Parle, Development Scheme, Bombay-56.	M/s Faustel Inc., 12801 W. Silver Spring Road, Butler, Wisconsin, 53007, USA.	Paper Converting Machine.
	M/s Farooq Sultan, B.E. Unit 7, Technocraft's Industrial Estate, Hyderabad (A.P.).	M/s Hunt Process Co., P.B. 2111 California, 90670, USA.	Concrete Curing Compounds.
	Mr R.N. Seth, Chartered Engineer, Old Employment Exchange, New Railway Road, Gurgaon (Haryana).	M/s Gas Eqipment and Cryogenic Services Co., 7523 Claymont Court, Balleville, Illinois 62223 (USA).	Argon Attachments, Cryogenic Equipment etc.
	M/s Madras Rubber Factory Ltd., 175/1 Anna Road, Madras-2.	M/s Mansfield Tyre and Rubber Co., Mansfield, USA.	Automobile Tyres and Tubes.
	M/s Sanaeep Enterprises Pvt. Ltd., C/o Madhusudan Oil Mills, Bilkha (Gujarat).	M/s Liquid Nitrogen Processing Corpn., 412, King Street, Malvern, Pannsylvania, 19355, USA.	Glass Reinforced Thermoplastics.
	M/s Kirloskar Brothers Ltd., Udyog Bhavan, Tilak Road, Poona, 411002.	M/s Tecumseh Products Company, Michigen, USA.	Hermetically Sealed Compressors.
	The Managing Director, Indian Oil Corporation Limited (Refineries & Pipelines Division), New Delhi.	M/s U.O.P., USA.	Know-how for Mathura Refinery and Gujarat Refinery Extension.

This approval relates to January, 1974.

ABSTRACT

1. Approvals including financial participation also	5	
2. Technical collaboration	55	
Total	60	(Including 4 composite cases)

1	2	3	4
		India-Switzerland	
26. *	M/s Hifame Pvt. Ltd. Gul-Mohur, Rajmahal Vilas Extension, Bangalore.	M/s Ploral Industries Und Handles, Switzerland.	Multi-Tubular Dynel Battery O Retainer Bags etc.
27.	M/s Suhrid Geigy Ltd., 'Shahbag House' Shahibag, Ahmedabad-4.	M/s Ciba Geigy Ltd., Basle, Switzerland.	Lamprnene.
28.	Mr V.J. Jayaraman, BSc. BS (Text Engg). 9, ATT Colony, Coimbatore-18.	M/s Sam Vollenweider Limited. Textile Machinery Works, 8810 Horgen, Switzerland.	Cloth Sheering and Cropping Machi
29.	M/s Widia (India) Ltd., 8/9th Mile, Tumkur Road, Post Bag 2280, Yeshwanthapur, Bangalore-560022 (Composite case).	M/s Meturit AG, Zurich, Switzerland.	Hard Metal and Hard Metal Produ
		India-UK	
30.	M/s Meco-tronics (P) Ltd., Meco House, 11A/1 Mount Road, Madras-600002.	M/s Autonic Ltd., UK.	Permeability Tuners for Car Radios
31.	The Managing Director, Bokaro Steel Limited, Bokaro Steel City District, Dhanbad, Bihar.	M/s Headwrightson Limited, UK.	Gas Cleaning Plant for Steel Mel Shop.
32.	M/s Indian Furnace Co. Ltd., NSE Estate, Goregaon East, Bombay-23.	M/s Gibbons Brothers Ltd., England.	Oil Fired Aluminium Melting and Til type Holding Furnaces.
33.	M/s Simpson and Co. Ltd, 202/203 Mount Road Madras-600002.	M/s Massey-Ferguson Perkins Ltd., Peterborough, UK.	Diesel Engines.
34.	M/s The Western India Plywoods Limited, P.O. Baliapatam, Cannanore Distt., Kerala State.	M/s Fothergill and Harvey Ltd., UK	Fibre Glass Cloth Format.
35.	M/s The Triveni Engg Works Ltd. National Insurance Building, 5, Parliament Street, New Delhi.	M/s Peterbrotherhood Limited, Petersborough, UK.	Steam Turbines.
36.	M/s Metal Lamp Caps (I) Pvt. Ltd., 2, Murphy Rd, P.B. No. 876, Ulsoor, Bangalore-360008.	M/s Lamp Press Caps Ltd., London.	Lamp Caps.
37.	Hind Equipment Corpn. Pvt. Ltd., 24-B, Hamam Street, Fort, Bombay-1.	M/s Automotive & Allied Group, BTR Ltd. Silver Town Hall, Vincent Square, London.	Silent Blocks and Rubber Bonded M Fittings.
38.	M/s Carburettors Ltd. 29, Mount Road, Madras-600002 (Tamil Nadu).	M/s Zenith Carburettor Co. Ltd., Honey Pot Lane, Stanmore, Middlesex HA-71EG, England.	Carburettor Type, 40PA, 105A.
39.	M/s Forbes Forbes Campbell and Co. Ltd., Auto Division, Forbes Building, Home Street, Bombay-400001.	M/s Smiths Industries Ltd. Spark Plug Division, Putney Vale, London. SW-15.	Spark Plugs.
40.	M/s Andrew Yule & Co. Ltd., 8 Clive Road, Calcutta-1.	M/s Davidson of UK.	Industrial Fans above 60" diameter.
41. (F)	M/s Pitman Wheeler Publishing Company (P) Limited, 15, Elgin Road, Allahabad.	M/s Sir Isac Pitman and Sons Ltd., London.	Publication of Books.
42.	M/s Alfred Herbet (I) Ltd., 13/3, Strand Road, Calcutta-2.	M/s Alfred Herbert Ltd., Edgwick, Coventry, England.	Atritor Pulverisers.
43.	Mr Deepak Chandrakant Desai, 14 Suleman Chambers, Apollo Bunder Road, Behind Regal Bldg. Bombay-1.	M/s Akron Standard (Engg) Ltd. UK. IVY House Foundry, Stoke-on-Trent, UK.	Rubber Machinery for Type Indus
44.	Mr Prem Prakash Chandra C/O Seraikela Glass Works (P) Ltd. P.O. Bara Bahera, Hooghly, (West Bengal).	M/s Perelectro Ltd., England.	Import of Furnance Design and D ings, Glass Tubes and Rods.

F—Cases involving financial participation.

*This approval relates to June, 1974.

A Roman egend

TEE DECLINE of the Rome conference on world food had started even before the last rhetorical phrase had fallen from the lips of the US secretary of state who spoke on the day of its inauguration. Dr Kissinger's speech on ich the description "keynote address" had been foisted by the publicity machine the US state department, justified the adjective only by providing a key to the llision course which the conference was doomed to take in the days that followed as e hard commercial interests and purposes of critical participants clashed frequently th the mealy-mouthed protestations of idealism on the part of those who lacked her the willingness or the ability to influence decisions or were wanting in both.

Ideally the conference, if it was to justify its being held at all, could have done ree things in the following order of priorities within the first three days of the scussions:

(a) Agreement on a programme for immediate relief to food-needy countries so at, starting immediately, there could be the mobilization of grain and money (from ose countries which may be in a position to give either or both) for providing some n million tonnes of food per year for the next three years to the countries that ›w seem to be either threatened with widespread starvation amongst its people or ljudged to be incapable of paying for commercial imports necessary for covering eir domestic deficits during this period;

(b) Acceptance by the world community of an obligation to set up as early possible a world fund for raising agricultural production, especially in heavily ›pulated, food-needy countries and particularly through ploughing sufficient re- urces, financial and physical, into the optimum use of fertilizers, development of rigation and propagation of improved seeds; and

(c) Adoption of a scheme for setting up a top level international policy-making ›dy, endowed with sufficient political will and muscle, to work out and implement rough appropriate UN or other agencies a system of world food security which uld anticipate and avert mass starvation in any part of the world and which would, r this purpose, build up over a reasonable number of years, say, ten, a revolving serve of grain of the order, say, of 16 million tonnes, to be drawn upon for lieving hunger or making up food deficits around the globe.

It may be argued that it is unrealistic to expect an international gathering of the pe of the Rome conference to have reached consensus on such obviously compli- ted issues but, then, the Rome conference was held exactly for the purpose of nerating the climate and the thrusting will needed to achieve this dramatic break- rough on the global food front. It was after all the case of everybody and every vernment engaged in organizing the conference that it was precisely because no her way could be found of dealing effectively with the world food problem, whether its immediate context or in terms of its long-term requirements, that the meeting us convened at all. Moreover, it was not as if it could have been demanded of e Rome conference that it should have gone into the detailed institutional and erational implications of these schemes and settled them then and there. What it uld and should have done was to have come conclusively in favour of definite mmitments to action which could subsequently have been formalized by the N General Assembly and processed into their numerous particulars by appro- iate UN agencies.

As it is the conference seems to have ended with a series of whimpers. On the mediate issue of adequate relief to the famine-stricken areas of the world it is ›ubtful that the palavers in Rome have succeeded in mobilizing more grain or oney for buying grain than would even otherwise have become available, for ins- nce through the efforts of various international agencies, or simply through bilateral

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negotiations. What is however more certain is that such food aid as has already been proposed, or as may be offered in the future, will fall short of the assessed and urgent needs of the communities in southern Asia or Africa which have undergone, or are undergoing and will continue to undergo, acute deprivation of the means of life.

In the case of the agricultural fund for providing financial and physical resources for increased farm production in the developing countries, the principle seems to have been generally accepted towards the close of the conference, but we need to know who is going to give how much or how soon before we could determine whether enough would be available in time for the tasks to be attempted.

As for world food security in its relatively long-term meaning, the Rome conference, seizing on the phrase, reduced it merely to a string of words. It is true that the setting up of a new agency for the purpose has been agreed to, but the information available at the time of writing disturbingly suggests that it will not be anything like a decisive policy-making body with a will of its own or sanctions to enforce that will. As it is, there is every reason to fear that the new agency may merely turn out to be an affiliate of the FAO, which is itself a subordinate and largely advisory and administrative organ of the United Nations.

In sum, then, the Rome conference has certainly not accomplished anything like what it had to do or could have done. It would however be wrong to blame its failure on any single country or government, or even any group or groups of interests, political or commercial, which were present in Rome or might have influenced the proceedings. Some elucidation of why things happened the way they did, or did not happen the way they could and should have, will be attempted in a subsequent issue of this journal by its editor who had an opportunity of observing the goings-on in Rome for part of the time. Meanwhile it would be quite relevant to suggest that it continues to remain true that brave new worlds are easier imagined in fiction than spelt out in international politics.

Ordeal of reconstruction

In his address at the third annual general meeting of the Industrial Reconstruction Corporation of India held in Calcutta on November 2, Mr A. Niyogi, the chairman, highlighted the difficulties in reviving the sick and the closed units and made some specific suggestions to facilitate this process. His speech and the corporation's annual report for the year ended June, 1974, reveal some progress in the undertaking's activities, but better results could have been obtained with more financial and technical resources at its disposal.

Mr Niyogi disclosed that during the year under review the corporation sanctioned fresh assistance to the extent of Rs 935.60 lakhs, compared to Rs 573.28 lakhs in the preceding year. The total assistance sanctioned by the close of the year was Rs 2218.06 lakhs, net of cancellations. The amount actually disbursed was Rs 593.59 lakhs during the year, against Rs 384.58 lakhs in the preceding year, the total disbursement being Rs 1244.40 lakhs. It is stated that 49 assisted units had an estimated production of the value of Rs 72.84 crores during the year ended June, 1974, against Rs 44.34 crores in respect of 45 units in the preceding year, and that 54 assisted units had maintained an employment of about 60,000 against 31,000 by 45 units in the preceding year.

These figures, however, should not give the impression that the assisted units have been placed on a sound footing. In fact, they continue to face many tough problems. As Mr Niyogi said, these units pass through various ordeals, some of which could not be foreseen. Their average rate of capacity utilisation was only about 59 per cent. Some of them had to be given further loans for a second or a third time and are yet to build up their capacity to repay the corporation's dues according to schedule. A review of the 54 units which obtained assistance shows that 14 of them had earned cash
profit during the year and another
units had "crossed the anxiety line".
Niyogi pointed out that the reconst
tion involved certain arduous proce
over a period of time and that there
no uniform single measure or remedy
the maladies from which the sick u
were suffering. Even so, it should
possible for the corporation to conc
itself with greater speed and vigour.

This is all the more necessary in
of the recessionary conditions now c
fronting the country's economy. It
be recalled that the corporation ca
into existance over three years ago w
the industrial climate had been seriou
affected by recession and other adv
factors like severe shortage of
materials and disturbed industrial r
tions. Its main objective has been
merely to lend money to the sick and
closed units but to provide them
advice and assistance in various ways
that they could quickly stand on th
own feet. Its activities include restr
turing the financial base, improving
labour-management relations, advis
management on product-mix and rela
problems and maintaining close
continuous vigilance on their worki
As the revival of the sick and clo
units is a matter of considerable natio
importance from the point of view
production and employment, the c
poration should be able to show m
impressive results in the coming mont

As on June 30, 1974, the number
units for which the corporation
sanctioned assistance since its incep
was only 79. Of these, 17 units
engaged in metal products, 13 in tr
port equipment, nine in chemicals
pharmaceuticals, six each in textiles
food manufacturing, and the rest
paper, rubber, machinery and o
industries. Since its commencement
to June 30, 1974, out of the disbursem
amounting to Rs 1244.40 lakhs, Rs 16
lakhs (13.51 per cent) were given
expansion, renovation, balancing eq
ment and diversification; Rs 177.14 la
(14.23 per cent) for meeting the resou
gap; Rs 480.93 lakhs (38.65 per cent)
correcting the imbalance on cur
position (margin money/working capi

s 348.85 lakhs (28.03 per cent) for payment of pressing liabilities; and s 69.37 lakhs (5.58 per cent) for other urposes including start-up expenses. It s significant to note that though the anctioned amount was Rs 2218.06 lakhs s on June 30, 1974, the disbursements ggregated to only Rs 1244.40 lakhs. The orporation should simplify its procedures o that the sanctioned money is made vailable with minimum delay.

Of the many difficulties in the way of econstruction, one of the most important elates to the burden of interest on the borrowings incurred previously by the units concerned. Their liabilities on the past borrowings from the banks are now treated as frozen accounts. Mr Niyogi explained that these outstandings of the units' past borrowings were not directly connected with the current productive operations of the assisted units and constituted "a dead weight". He disclosed that in a number of cases the incidence of fixed interest burden on these frozen accounts formed about one-third of the total interest now being borne by them and that this imposed a serious constraint on their slender capacity. Besides, other impediments have also slowed down the process of reconstruction, such as the increase in the prices of steel, non-ferrous metals, furnace oil, diesel oil and other materials. He suggested that the banks should give to the assisted units concessional treatment in regard to the interest charge on the current advances, in the application of margin and also in the interest on frozen accounts. He also wanted that the banks should give them financial accommodation to tide over temporary liquidity problems arising from the need to pay income tax and other statutory obligations. These suggestions should receive favourable consideration from the banks.

Mr Niyogi has made out a strong case for improving the financial position of the corporation. He has explained that the corporation is neither designed nor has the necessary resources to take care of the totality of the reconstruction programme, including the requirements of working capital, and has emphasised the fact that any delay in the availability of either kind of finance results in losses which ultimately have to be financed by banks and the corporation. The corporation's total fund is of the order of Rs 20 crores, made up of Rs 10 crores of paid-up capital and an interest-free loan of Rs 10 crores from the central government. Its undisbursed committed assistance was Rs 9.74 crores at the end of June this year and the fresh sanctions till the end of September amount to Rs 314.09 lakhs. Till now, the corporation has concentrated its activities mainly in West Bengal but it has now proposed to give greater attention to other states also. The corporation, therefore, has approached the central government for an additional interest-free loan of Rs 5 crores and it is also going to raise capital from the market through the issue of bonds. But it should also equip itself adequately with qualified personnel so that it will be able to render effective assistance in regard to managerial, technical, marketing and other problems.

Balance of payments outlook

THE TRENDS in foreign exchange reserves held by the central banking institution in its Issue and Banking departments have not disclosed so far that alarming decline generally visualised against the background of the hurry with which the facilities provided by the International Monetary Fund are being fully utilised. On February 16, 1974, a sum of SDRs 74.4 million was withdrawn from the IMF under standby credit arrangements. Again, on April 26 the withdrawal was SDRs 91.5 million from the same source, and SDRs 235 million under standby credit arrangements. The latest decision of the government of India is to use the oil facility for 200 million SDRs provided by the IMF. Thus, in all 600.9 million SDRs or roughly Rs 540 crores have been added to the foreign balances of the Reserve Bank in 8½ months.

These additions have naturally been responsible for an increase in foreign balances in both departments to Rs 756.81 crores on November 1, 1974, from Rs 355.23 crores on February 16, 1974. There has obviously been utilisation of these withdrawals to some extent as even without taking into account aid received from other sources, there has been a net decline of Rs 139 crores. In the same period last year, there was a drop of only about Rs 15 crores having regard to the revaluation of foreign balances in the first week of July, 1973, which resulted in an appreciation in the rupee value of foreign exchange reserves by over Rs 48 crores. As aid receipts should have been on a larger scale in recent months, the gap in trade in the first seven months of the current financial year should have been about Rs 200 crores. While it might be said that this itself is sizeable and for a whole year imports might be in excess of exports by even Rs 500 crores, the question has been asked in money market circles whether current foreign exchange earnings have been fully repatriated and whether heavy payments have not been effected against commercial purchases of foodgrains.

The position is rather confusing as it has been stated that some quantities of wheat have still to be received against the loan of two million tonnes obtained from the Soviet Union. On the other hand, the contracted quantities of high-priced wheat seem to be still arriving which would have meant the use of current foreign exchange earnings for financing commercial purchases. What precisely are the payments on this account have not been made clear. Some more quantities are to be received against commercial purchases in the coming months and imports calling for cash payments may not amount to more than two million tonnes having a value of probably Rs 200 crores. There may be a disposition on the part of the government to stagger these imports as the European Economic Community has agreed to provide one million tonnes of wheat, three lakh tonnes being an outright gift and seven lakh tonnes on the basis of long term credit. The USA too will be providing nearly one million tonnes before June next year and no payment out of current foreign exchange earnings will be involved as long-term aid on soft terms will be provided.

What then is the outlook for the next

months on the foreign exchange front? Clearly, the government has been acting in an unduly cautious manner and building up foreign exchange reserves in order to be in a position to meet any difficult situation. During the 12-month period ending November 1, 1974, foreign balances held by the Reserve Bank have risen by Rs 367 crores. This would mean that the government can draw down these reserves by this amount for meeting repayment commitments against foreign loans and payment of interest charges besides financing also excess imports.

In the last five months of 1973-74, there was no disturbing trend in foreign exchange reserves as current foreign exchange earnings and fresh aid were adequate to meet foreign obligations and effect payments against imports which were in excess of exports. For the whole year there was a deficit of Rs 225 crores in foreign trade. But this did not result in any net decline in foreign exchange reserves. Actually, there was a net rise of Rs 30 crores during the 12-month period ending March 31, 1974.

In view of the fact that export earnings out of shipments of sugar at attractive prices will be accruing on a large scale in the latter half of the current financial year and aggregate exports may be easily Rs 3,000 crores, the government has to find foreign exchange resources only in respect of a gap in excess of Rs 200 crores. There, of course, will be heavy payments in respect of oil imports, the additional bill being of the order of Rs 600 crores. Commercial purchase of three million tonnes of foodgrains may account for Rs 300 crores though the net amount may not be more than Rs 200 crores as there were imports against commercial purchases also in 1973-74. Other imports may cost additionally Rs 300 crores though the extra outlay can be reduced if available supplies of steel and non-ferrous metals are effectively utilised and imports against outstanding contracts can be staggered. The trouble, therefore, will arise only in respect of excess imports of Rs 1,000 crores. The gap will be really Rs 600 crores. However, as stated earlier, the government can always manage a deficit of Rs 200 crores on trade account with net aid and current foreign exchange earnings.

For meeting a possible gap of Rs 400 crores over and above the deficit of 1973-74, all that is required is additional assistance of this order. Iran and Iraq by themselves have promised to extend help of over Rs 200 crores, while, as stated above, the withdrawings from the IMF amount to Rs 540 crores. If, for any reason, the cost of imports in the coming months proves to be less, as a result of lower prices and reduced quantum, the aggregate value may not be more than Rs 3,500 crores, excluding of course imports of foodgrains received under long-term aid. There is also the possibility of the value of exports being even higher at Rs 3,100 crores, as sugar alone may fetch an extra Rs 300 crores. Exports of other commodities like gunnies, iron ore and various other products such as tea and coffee may secure another Rs 400 crores. Even if there were upsets in calculations due to recessionary trends, the contraction in foreign trade in value and quantum will be in respect of both imports and exports, and eventually it m
be found that the total deficit may
be more than Rs 400 crores.

On the basis of this reasoning, th
should not be any undue decline in fo
ign exchange reserves in the comi
months. The decision of the governme
to utilise the oil facility of two hundr
million SDRs provided by Internatio
Monetary Fund is perhaps due to t
fact that this facility will lapse by the e
of the year if the option for withdrav
was not exercised by the government. T
earlier hesitation to use this form of a
was due to the feeling that the inter
rate was quite high at seven per cent.
should be possible however for the gover
ment to invest its foreign balances on
remunerative basis and take full adva
age of the high interest rates prevaili
in foreign countries. There can even
actually a slower repatriation of payme
against export bill if thereby addition
income can be secured through higher i
terest charges. The Reserve Bank mu
be having in view fully these possibiliti
In view however of frequent withdraw

Eastern Economist 30 Years Ago

NOV. 24, 1944

The International Business Conference concluded its nine days' session at Rye on Saturday last. Most of its work was done at the meetings of the eight sections into which the Conference has divided itself and the reports from these sections were presented merely for comments before the plenary sessions. No resolutions were moved nor did any voting take place on the reports. No single individual could give full account of all that happened at the Conference; for his knowledge would be confined at best only to the proceedings of two sections.

Private enterprise and commercial policy were easily the two most outstanding topics dealt with. The bulk of business opinion assembled at the Conference expressed its firm faith in the role of private enterprise for the building up of world prosperity after the ravages of war. But the Ame
can business man was much the more empha
and vehemently expressed his convictions in
following words: "The American Delegation
wholeheartedly committed to private enterprise
preference to Government enterprise; to free ent
prise in preference to controlled enterprise and
competitive enterprise in preference to mor
polistic enterprise." Delegates of even those
tions who were in general sympathy with
American attitude did not like to go so far. Indi
compromise between private enterprise and St
enterprise reflected in the Bombay Plan w
frankly perplexing and disturbing to many sectio
of American business men who would have be
happier if the Indian Delegates had align
themselves with them.

ɔm the International Monetary Fund d the alarmist views expressed in some arters about the balance of payments sition in 1974-75 the developments on is front in the next few months have great significance. There is no reason however for taking any panicky view of the immediate outlook, though it cannot be denied that there will be a considerable addition to the foreign debt burden.

Retailers' shrinking share

ONTROLS ON the prices of essential mmodities and consequent interference the normal channels of distribution ve tended to drastically diminish the ailers' trade margins without any cor- ponding advantage to consumers. is has aptly been brought out in a dy by the Economic and Scientific search Foundation regarding the trade rgins in respect of vanaspati, cloth and al.

The instance of vanaspati, indeed, is eresting in view of the fact that the vernment continued to be complacent nile the mills found it unprofitable to y vegetable oils from the open market prices higher than the prevailing prices vanaspati to operate their mills to pacity. The government tried to meet e situation of shortage by taking over tribution. In other words, apart from e price controls which were continuing nce 1947, the distribution of vanaspati as also taken over by the official autho- ies towards the middle of 1973. Ulti- ately, it proved to be a case of classical ngling because people in Delhi did not t vegetable oil at any price for long ervals of time.

While the consumers suffered because irregular supplies, the retailers were t with much reduced trade margins on e reduced supply. The retailers' trade argin has remained around Rs 100 r tonne of vanaspati, which used to st around Rs 1850 in 1952 and now costs ound Rs 6725. The share of retailers, us, has been reduced to just 1.4 per cent the sale price of vanaspati from nearly 4 per cent in 1952. Moreover, they ve to maintain a separate sales register, tock register, cash memos and employ cashier to maintain all the details quired by the Civil Supplies department. Consequently, many retailers have preferred to surrender their licences.

The case of coal provides a different kind of situation where the total control of distribution has resulted in considerably reduced supply to consumers. Prior to July, 1973, the Delhi Administration used to allow private traders and the public sector concern—Bharat Coking Coal—to bring in coal for sale in Delhi on 67 and 33 per cent allocation of railway wagons, respectively. After July, 1973 the entire import of coal became the monopoly of Bharat Coking Coal. In the absence of competition, the public sector unit became complacent and brought in less coal than was possible under the circumstances. Prior to the grant of monopoly to Bharat Coking Coal, the private importers were utilising nearly 85 per cent of the wagons allotted to them. After the Bharat Coking Coal became a monopoly, the level of utilisation of wagons declined to 72 per cent of the quota. This happened at a time when there was acute shortage of coal in the city. The monopoly of coal distribution in the city also led to the multiplication of sale points in the manner of fair price shops for foodgrains. This resulted in a further decline in the sales by each retail depot, thereby eroding trade margins.

The smooth functioning of the distribution mechanism was disturbed by controls in the case of cotton textiles in two ways. First, the Committee on Cloth Prices reduced with effect from November 1, 1972, the trade margin on controlled cloth from 20 to 12½ per cent. The mills were also required to sell controlled cloth only through their own retail shops. This eliminated the private traders from the deals in these varieties. Then the committee slashed towards the middle of 1973 the trade margin for all wearable and non-controlled varieties in the medium categories from the level of 30 per cent to a maximum of 20 per cent over ex-mill prices. The retailers, therefore, have a genuine grievance that they have been eliminated from the distribution of controlled cloth which could reduce their overheads and enlarge their circle of customers. Unfortunately, this has happened at a time when the expenses of running trade establishments are increasing. It is true that lower trade margins are essential from the consumers' point of view but this reduction should not be at the cost of the distributive trade.

What is true about these three commodities examined by the foundation is also by and large true about the other controlled items. Such interference in the normal operation of the distribution process may appear to yield some psychological gains, but the significant role of distributive agencies in bringing the products from manufacturers to consumers cannot be minimised. Any undue squeeze on this class is bound to recoil on consumers by way of increased prices of other commodities to make up for the loss of business in controlled items. The stress, therefore, should be on raising the level of production so that through competition prices are maintained at a reasonable level.

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FROM THE CAPITAL’

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Weeding Out Bogus Units • Imports of Spares and Components • Central Assistance to States • Crude Oil Import Bill

THE UNION government is expected to finalise soon a uniform procedure for the registration of small-scale industrial units all over the country and also for the deregistration of such firms on certain grounds. The necessity for this has arisen following the revelation made by the census of small-scale industrial units—which has been completed in several states recently and is expected to be completed in the other states and union territories by the end of next month—that just about 55 per cent of the estimated 318,000 registered units covered by the census are "working units" and the remaining 45 per cent are either "closed units" or "not traceable units". The census was ordered last year with a view to collectiong data on the small-scale industrial sector which could form a realistic basis not only for formulating the future development plans for this sector but also for policy decisions on the allocation of scarce raw materials, foreign exchange, etc, to it.

deregistration process

According to the proposal under consideration, an already registered small-scale industrial unit may be deregistered by the registering authority on any one or more of the following grounds:

(i) If the unit remained closed continuously for a period exceeding one year;

(ii) if the nnit failed/refused/avoided to give full and truthful information as called upon by the registering authority from time to time and in particular the half-yearly report;

(iii) if the unit has been proved to have misutilised the raw materials allocated to it; and

(iv) if the unit refused to execute any agreement prescribed by the registering authority or committed any breach of any of the conditions of such an agreement.

All orders of deregistration will have to be passed after serving a show-cause notice to the party, giving the party a time of 15 days for reply. Any unit aggrieved by the deregistration order, of course, would be allowed to appeal to the next higher prescribed authority within one month of the receipt of the intimation of the deregistration. The appellate authority may, after examining the record of the case and after making necessary inquiries, pass suitable orders either to set aside the order of deregisteration or maintaining it. At present, no provision exists in the small-scale industries legislation for the deregistration of a registered unit.

It is also being considered that the registeration of a small-scale industrial unit may henceforward be done in two stages—(i) preliminary registration, (ii) formal registration.

provisional registration

Provisional registration is proposed to be done to enable a party to undertake the necessary steps to bring the unit into existence. It will be valid for a period of six months which might be extended by another six months on submission of satisfactory proof that the party is taking active steps to establish the unit but has not been able to complete the process within the first six months due to some difficulties.

The provisional registration, to be normally done automatically at the district/RIP level, will entitle the party to:

(a) apply for a shed in an industrial estate or a developed site in
industrial area and also for m
rials for the construction of a
as the case may be;

(b) apply to municipal corporat
panchayat/other local author
for permission to construct
shed to establish a unit;

(c) apply for power connection;

(d) apply for financial assistance
state financial corporation/natic
lised bank/other financial inst
tions on the basis of a pro
report as may be required by th

(e) apply to the NSIC/SSIC/o
institutions for procuring ma
nery on hire purchase; and

(f) take other steps that may be
cessary to establish the indust
unit.

raw material entitlement

The provisional registration would
normally entitle the party to apply
import licences for scarce raw mater
or for allocation of scarce indigenous
materials. If, however, within the pe
of provisional registration, the party
taken effective steps to establish the
and the unit needs imported or sc
indigenous raw materials, the dist
industries officer or such other off
authorised to act on behalf of the dire
of Industries would inspect the unit
give an essentiality certificate to ena
the party to obtain such raw materials

Registration will be formalised w
the party has taken all steps to estab
the unit and the directorate of Indust
and the SISI have made an on-the-s
inspection and satisfied themselves
the unit is capable of production activ
On registration, the party will be enti
to:

(a) apply for raw materials, includ
imported raw materials, accord
to the capacity assessed at
time of inspection for registrati

(b) make firm arrangements for wo

ing capital resources with banks and other institutions;

(c) obtain sales tax, excise duties, etc., registrations; and

(d) apply for registration under government stores purchase programme/ancillary development programme/export promotion programme etc.

All registered units would be required to submit half-yearly reports of raw materials received/utilised, stocks on hand/production and sales to the directorate of Industries in triplicate. Failure to submit these returns within the prescribed period may constitute adequate ground for refusing to sponsor applications for import/allocation of raw materials.

A unit which wants to expand by increasing the production of the item for which it was already licensed, would not be required to obtain any fresh registration or any endorsement on its registration certificate unless it involves the addition of new plant and machinery (indigenous or imported) and consumption of additional scarce and imported raw materials. A unit which may like to diversify its production by adding one or more items for which it was not already registered will have to get its registration duly endorsed for such items after a technical inspection done preferably by a joint team of the representatives of directorate of Industries and the SISI.

A proforma indicating the new products proposed to be manufactured, the additional machinery installed or proposed to be installed and the requirements of additional imported and scarce raw materials will have to be submitted to the registering authority for the purpose.

The state government may prescribe suitable fee for such registration for diversification/expansion.

* *

With a view to improving the utilisation of the existing industrial capacities on which the union minister for Industry and Civil Supplies, Mr T. A. Pai, laid great emphasis while addressing the November 6 conference of state ministers of Industry, the union government is understood to have decided to liberalise the imports of spares and components. A recent study made by the ministry of Industry is said to have revealed that non-availability of spare parts from indigenous sources and the inadequate release of foreign exchange for importing spares and components had hampered capacity utilisation in a large number of plants, particularly the older ones.

In consultation with the ministry of Finance, it has been decided that some extra foreign exchange should be released to enable particularly the older plants in some key industries to import the sorely needed spares and components. In the case of such industries as steel, fertilizers and power generation, this policy has already been implemented.

The plants set up before 1970 would qualify for entitlement under the revised policy. To begin with, they would be allowed to import about five per cent of their annual requirements of spares and components. If the situation does not improve materially, some further releases of foreign exchange may be made in course of time.

* *

The union minister for Finance, Mr C. Subramaniam, reiterated in the Lok Sabha this week that the government was not in favour of going beyond the recommendations of the sixth Finance Commission in regard to the specific central assistance to states suffering from such natural calamities as floods and drought. After a general review of the demands of states recently affected seriously by floods and drought, Mr Subramaniam stated, it had been found that it was possible to make adjustments in central assistance even within the recommendations of the sixth Finance Commission. The centre has been making advance allocations to the states hit by natural calamities and these allocations are adjusted later on since the system of the specific allocations has been discontinued on the basis of the commission's report.

Apart from the recommendations of the sixth Finance Commission, as pointed out by Mr Subramaniam, another consideration which is understood to be at present weighing with the union government in not making available special grants is the imperative of containing deficit financing this year within the original estimate of about Rs 126 crores. With this end in view, not only the former minister for Finance, Mr Y. B. Chavan, brought before Parliament during the last session a supplementary budget but also the centre has gone in for a second installment of market borrowings to the tune of Rs 175 crores. Actually nearly Rs 192.5 crores may be raised for, at its discretion, the government can retain oversubscriptions to the extent of 10 per cent of the amount proposed to be borrowed. Knowledgeable circles do not rule out a further resort by the centre to market borrowings this year if bank deposits show an upward trend and there is a likelihood of deficit financing exceeding Rs 126 crores.

* *

The November 10 decision of Saudi Arabia, the United Arab Emirates and Qatar to reduce with effect from November 1, till July next year, the posted prices of their crude oil by 40 US cents a barrel is not likely to bring down our crude import bill. On the other hand, this bill should go up slightly as a result of the decision of the three countries to raise the royalty rate by 20 per cent and the tax on the "equity" crude of the international companies to as much as 85 per cent, provided, of course, the companies decide to maintain their profit and other charges at about 60 cents a barrel.

On a posted price of $11.251 a barrel, the Saudi Arabian crude is said to cost the companies, including royalty and tax payments, nearly $9.86. Adding 60 cents profit and other charges, the minimum price they would charge from consumers amounts to $10.46 a barrel. This approximates the price the companies have to pay for the purchase of Saudi Arabia's share in crude produced in that country. This crude oil is marketed by companies along with their own share at averaged out prices. Since there is little difference now in the prices of the two crudes, the average price is said to be now slightly more than it has been hitherto.

The government-to-government purchases of crude, which till recently were at a cost much higher than the course made available by companies, of course, should be at a somewhat lower price in so far as Saudi Arabia, the United Arab Emirates and Qatar are concerned. But no such purchases are being made at present by us from these three countries.

The fact that in future the price which oil companies will have to pay to the west Asian countries for the latter's share will almost equal to the cost of their equity crude, taking into consideration their profit and other charges, will have a vital bearing on the union government's decision to take over Burmah Shell and Caltex. The government apparently will not now have negotiations with the two companies on the pattern on which Esso was taken over early this year.

Capital investment in IADP districts

R. K. Pandey

THE RECENT developments in agriculture have made farming a profitable business. The 'green revolution' and accompanied changes in methods of cultivation have led to heavy investments in the farming sector. This is because most of the inputs are now not home produced and are procured in the organised markets for them. Consequently, there are many changes in investment patterns in farming. This is specially true in the privileged districts covered under the intensive agricultural district programme IADP. This programme was initiated in the year 1961-62 as a part of the new agricultural strategy. Evidences suggest that agriculture in these districts, are better organised and more productive than those not included under the programme[6]. The contribution of various factors affecting investment decisions are not known precisely. Knowledge of the parameters affecting investments are of importance to the farmers, economists and policy makers. This article attempts to study the investment pattern of farmers in the selected IADP districts. More specifically the objectives of this study are:

(1) To study the investment pattern of farmers in the selected IADP districts; and

(2) To analyse the factors affecting investment at various size groups of holding as well as for all farmers.

These objectives will be discussed in the same order.

Table I shows the capital expenditure for the years 1964-65, 1968-69 and 1969-70 on various items used in farming. On per hectare basis, there is not much diff rence, holding-wise, in the quantum capital expenditure. The proportion expenditure on bullocks and other far animals is highest in all groups. It followed by purchase of agricultur land, land reclamation and irrigati sources. The laying of orchards a gardens account for the lowest expend ture in all groups.

Classical economists have suggest that capital is employed in an amou determined by its marginal productivi in comparison with the interest rate. any given time, a farmer is present with numerous alternative investme opportunities. Returns from these va Some investments such as replaceme of broken implements and machine investment in newly released see modern pesticides and fungicides, start

TABLE I

Capital Investment and Percentage Allocation on Various Items
(Rs Per Hectare of Cultivated Area)

Size group	Year	Total	Farm machinery and equipment	Bullocks and other farm animals	Wells and other irrigation sources	Farm house and cattle sheds	Land Reclamation and soil conservation	Purchase of agricultural land	Laying o orchards and gardens
Marginal	1964-65	97.8	5.01	70.14	1.84	5.01	9.62	8.18	0.20
	1968-69	81.9	5.01	68.50	1.22	6.47	8.30	10.50	0.00
	1969-70	145.8	2.54	68.45	4.18	4.25	5.69	9.82	5.07
Small	1964-65	85.3	6.45	72.22	2.70	4.34	8.32	5.74	0.23
	1968-69	96.5	4.77	77.72	3.11	4.45	7.15	2.80	0.00
	1969-70	79.7	6.77	67.13	4.77	7.03	8.41	5.77	0.12
Medium	1964-65	77.8	10.92	61.82	3.34	5.68	8.09	10.15	0.12
	1968-69	97.8	17.07	53.37	6.14	2.76	6.96	13.50	0.20
	1969-70	97.1	22.76	46.24	13.08	6.49	7.01	4.32	0.10
Large	1964-65	54.2	9.59	58.12	4.61	6.83	11.26	9.41	0.18
	1968-69	105.6	25.28	39.30	7.39	3.69	6.92	16.38	1.04
	1969-70	75.8	25.86	39.97	8.97	5.81	11.74	6.99	0.66
Total (pooled)	1964-65	65.4	9.46	57.82	4.07	6.67	10.70	11.16	0.16
	1968-69	99.5	22.21	45.54	7.24	4.42	7.13	12.76	0.70
	1969-70	87.6	21.23	43.84	8.79	6.85	9.59	9.36	0.34

Source: Based on data obtained from "Pattern of Current Expenditure and Capital Investment in Agricultural Holding IADP Monograph No. 1, Expert Committee on Assessment and Evaluation, Ministry of Agriculture, New Delhi (197 erprises such as poultry farming etc., y promise high returns. On the other nd some other investments such as ex- nsion of existing crop enterprise, dup- ation of some implements may yield ry low or negative returns. These in- stment opportunities can be arrayed om highest return to lowest. Invest- ents offering highest yield will be under- ken first. All investment opportuni- es promising yields exceeding that of terest rate will be exploited.* Some vestment theories assume that invest- ent depends on the level of income. ccording to the acceleration principle, vestment is a function of change in come (or consumption). It presents technological relationship between in- estment and income. It is also argued hat entrepreneur's expectation is a de- rminent of investment[1]($^{pp473-477}$).

present capital investment

Heady, Hildreth and Dean in an merican study suggest that investment ecisions of farmers are affected signi- icantly by present capital investment, quity ratio, and risk discounts. They lso add that farmers are unresponsive o small shifts in interest rates. Their esponsiveness increases when there is an pward movement[2](^{p995}). Kahlon and Bal concluded that average farm in- vestment is the highest in the case of large farms and lowest for small farms in Ludhiana district. Similarly, farm in- vestment is positively correlated with the holding size in Hissar district. They also suggest that per hectare differences in farm investment for different sizes of hol- dings are not well marked in Ludhiana and Hissar. Also their investigations show that the income elasticity of farm family investment in Hissar district is greater than one[3].

On the basis of experience of the farmers' decision regarding investment and its theory, the following relationship is formulated:

$$I_{it} = f(H_{it}, ER_{it}, Y_{it}, I_{it-t})$$

where,

I_{it} = average investment per hectare in ith district & t^th^ years (Rs.)

H_{it} = average size of holding in ith district in year t (hectares).

ER_{it} = average ratio of investment financed by the farmers' own sources in ith district in year t.

Y_{it} = average gross income per hectare in ith district in year t (Rs.).

I_{it-t} = average investment per hectare lagged one year in district i, in year t (Rs).

The above relationship suggests that the average investment per hectare (total investment) in a particular year in IADP district is functionally related to the average size of holding, the ratio of investment financed by cultivators, average gross income per hectare and past year's investment. Farm investment is influenced by the size of farms. Therefore, it is hypothesised that bigger the farms bigger will be the investment and vice versa. Farmers financing investments

TABLE II

Estimated Investment Functions, Marginal Farms, IADP 1969

(Per Hectare)[a]

	Constant	X_3	X_5	X_6	R^2
1.	—133.950	—0.026 (0.01)[b]	1.043 (3.45)	0.137 (1.78)	0.83^{xx}
2.	5.298	0.006 (0.001)	1.428 (6.28)		0.78^{xx}
3.	—321.858	0.468 (0.24)		0.329 $(4.32)^{xx}$	0.63^{xx}
4.	—136.000		1.042 $(3.64)^{xx}$	0.137 (1.86)	0.83^{xx}
5.	21.891	1.528 (0.50)			0.02
6.	5.785		1.423^{xx} (6.57)		0.78^{xx}
7.	—286.869			0.332^{xx} (4.57)	0.63^{xx}

[a] Form of equation is linear. Dependent variable is investment per hectare in rupees.
[b] Figures in parentheses show t ratios.
X_3 represents proportion of investment funds financed by farmers from there own sources;
X_5 represents investment per hectare in rupees in the previous year, and
X_6 represents gross income per hectare in rupees.
xx Significant at the .01 level.
x Significant at the .05 level.

TABLE III

Estimated Investment Function, Small Farms, IADP 1969

(Per Hectare)[a]

	Constant	X_3	X_5	X_6	R^2
1.	57.316	—1.576 (2.63)[b]	2.226^{x} (2.52)	0.096^{xx} (3.67)	0.88^{xx}
2.	66.663	—0.386 (0.52)	4.513 (4.95)		0.72^{xx}
3.	85.224	$—2.499^{xx}$ (4.02)		0.143^{x} $(6.32)^{xx}$	0.80^{xx}
4.	—31.421		3.535 (3.91)	0.058 (2.15)	0.80^{xx}
5.	198.264	—1.497 (1.24)			0.11
6.	34.599		4.65^{xx} (5.54)		0.71^{xx}
7.	—78.219			0.121 (2.201)	0.52^{xx}

[a] Form of equation is linear. Dependent variable is investment per hectare in rupees.
[b] Figures in parentheses show t ratios.

---

* However, investment schedule has no relation with the marginal productivity of capital.

from their own funds are, probably, in a comfortable situation so far as the total amount of investment is concerned and they invest more in their farming business. It is, therefore, hypothesised that higher the proportion of investments financed by funds owned by the farmer, the larger will be his investment.

The opposite is also true. As indicated earlier, investment decisions are influenced by the expectation of future income. In the absence of expected income data, the average gross income has been used as an explanatory variable. It is hypothesised that gross income per hectare and investments are positively correlated. Current investment is influenced by capital stock already employed at the farms. Data on existing capital structure on these farms are not available. Therefore, the investment in the past year has been used as a proxy for capital at the farm. It is assumed that if a farm has employed large capital, its investment in the past year will be higher. It is hypothesised therefore that investment in the past year is negatively associated with the present investment.

cross-section data

This study pertains to the selected IADP districts for the year 1968 and 1969. The cross-section data relating to the average investment per hectare, average size of holding, the proportion of investment financed by farmers from their funds, and investment in the previous year, are obtained from a monograph entitled "Pattern of Current Expenditure and Capital Investment in Agricultural Holdings (1964-65 to 1969-70)" brought out by the Expert Committee on Assessment and Evaluation, ministry of Agriculture 1973[4]. The districts included in this study are Aligarh, Alleppey, Burdwan, Cachar, Delhi, Ludhiana, Mandya, Palghat, Raipur, Sambalpur, Shahabad, Surat-Bulsar, Thanjavur, and West Godavari.

Cultivators included in this study are grouped into marginal, small, medium and big on the basis of the size of holdings operated by them. Size of holdings for marginal, small, medium and large cultivators in the year 1969-70 are less than or equal to one hectare, one to two hectares, two to four hectares and above four hectares respectively. The overall average size of holding is 2.98 hectares. Data on average gross income per hectare are only an approximation and are calculated on the basis of per hectare yield of important crops in the district and their procurement prices. This procedure does not provide correct measurement of gross income on per hectare basis but gives a close approximation of it. Therefore, in the absence of income data, the average gross income per hectare as measured above has been used in the analysis. It is expected to account for the variations in the investment tern due to income variations.

Multiple regression analysis was plied in this study. As mentioned lier, separate equations were establi for marginal, small, medium and l cultivators. This analysis was also tended to the data obtained for ov

TABLE IV

Estimated Investment Functions, Medium Farms, IADP, 1969

(Per Hecta

	Constant	X_3	X_5	X_6	R^2
1.	—93.998	—0.155 (0.28)[b]	7.198^{xx} (5.44)	0.102^{xx} (3.37)	0.92^{xx}
2.	13.316	—0.166 (0.21)	10.00^{xx} (6.99)		0.83^{xx}
3.	—102.727	—0.824 (0.81)		0.207^{xx} (4.61)	0.68^{xx}
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5.	244.760	—1.733 (1.07)			0.08
6.	—1.740		10.009^{xx} (7.69)		0.83^{xx}
7.	—182.382			2.142^{xx} (4.93)	0.67^{xx}

[a] Form of equation is linear. Dependent variable is investment per hectare in rup

[b] Figures in parentheses show t ratios.

TABLE V

Estimated Investment Functions. Large Farms, IADP 1969

(Per Hecta

	Constant	X_3	X_5	X_6	R^2
1.	1.522	—0.422 (0.64)	2.909^{xx} (3.41)[b]	0.060^{xx} (3.04)	0.82^{xx}
2.	54.243	—0.254 (0.29)	4.035^{xx} (3.97)		0.65^{xx}
3.	75.021	—1.393 (1.67)		0.089^{xx} (3.58)	0.61^{xx}
4.	—34.798		3.145^{xx} (4.20)	$0{\cdot}059^{xx}$ (3.08)	0.81^{xx}
5.	223.892	—1.775 (1.52)			0.16
6.	31.661		4.167^{xx} (4.75)		0.65^{xx}
7.	—48.238			0.095^{xx} (3.56)	0.51^{xx}

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Books Briefly	BB
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Records and Statistics	RS
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from their own funds are, probably, in a comfortable situation so far as the total amount of investment is concerned and they invest more in their farming business. It is, therefore, hypothesised that higher the proportion of investments financed by funds owned by the farmer, the larger will be his investment.

The opposite is also true. As indicated earlier, investment decisions are influenced by the expectation of future income. In the absence of expected income data, the average gross income has been used as an explanatory variable. It is hypothesised that gross income per hectare and investments are positively correlated. Current investment is influenced by capital stock already employed at the farms. Data on existing capital structure on these farms are not available. Therefore, the investment in the past year has been used as a proxy for capital at the farm. It is assumed that if a farm has employed large capital, its investment in the past year will be higher. It is hypothesised therefore that investment in the past year is negatively associated with the present investment.

cross-section data

This study pertains to the selected IADP districts for the year 1968 and 1969. The cross-section data relating to the average investment per hectare, average size of holding, the proportion of investment financed by farmers from their funds, and investment in the previous year, are obtained from a monograph entitled "Pattern of Current Expenditure and Capital Investment in Agricultural Holdings (1964-65 to 1969-70)" brought out by the Expert Committee on Assessment and Evaluation, ministry of Agriculture 1973[4]. The districts included in this study are Aligarh, Alleppey, Burdwan, Cachar, Delhi, Ludhiana, Mandya, Palghat, Raipur, Sambalpur, Shahabad, Surat-Bulsar, Thanjavur, and West Godavari.

Cultivators included in this study are grouped into marginal, small, medium and big on the basis of the size of holdings operated by them. Size of holdings for marginal, small, medium and large cultivators in the year 1969-70 are less than or equal to one hectare, one to two hectares, two to four hectares and above four hectares respectively. The overall average size of holding is 2.98 hectares. Data on average gross income per hectare are only an approximation and are calculated on the basis of per hectare yield of important crops in the district and their procurement prices. This procedure does not provide correct measurement of gross income on per hectare basis but gives a close approximation of it. Therefore, in the absence of income data, the average gross income per hectare as measured above has been used in the analysis. It is expected to account for the variations in the investment tern due to income variations.

Multiple regression analysis was plied in this study. As mentioned lier, separate equations were establi for marginal, small, medium and l cultivators. This analysis was also tended to the data obtained for ov

TABLE IV

Estimated Investment Functions, Medium Farms, IADP, 1969

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[a] Form of equation is linear. Dependent variable is investment per hectare in rupe

[b] Figures in parentheses show t ratios.

stimates of these farmers. In the anaysis, the per hectare investment data for ne year 1969 was regressed on the ratio f funds financed by farmers from their wn sources, investment per hectare in he previous year and gross income per ectare. All variables are kept in linear orm. Tables 1 to IV show the equations ertaining to the investment of the marinal, small, medium and large farmers, espectively. These equations show that here is a uniformity in the results. Varible showing the proportion of investnent financed by farmers from their wn funds, (X_3) is not significant in any f the equations. It is concluded that it oes not affect investment in any size roup. The sign of the coefficient is egative in most of the cases. This is ot expected on the basis of theoretical onsiderations. Variations in the depenlent variable as explained by X_3 ranges rom 2 to 16 per cent. R^2 is insignificant n every case. Investment per hectare in he previous year has positive coefficient. This shows that higher investments in he past year will lead to more investnent in the present year.

ypothesis rejected

Thus, the hypothesis put forward arlier that the investment in previous ear is negatively associated with the resent investment is rejected. Probably, t is due to the fact that higher investment in the past year gives higher profit nd gross income which in turn affects nvestment positively. Previous investment per hectare alone explains about 5 to 82 per cent of variations in the lependent variable. The hypothesis that ross income per hectare and investments re positively correlated is also upheld ecause gross income variable is significant in the equations of every holding izes. The positive coefficient is also acording to our theoretical expectations. This variable alone explains about 51 er cent to 67 per cent of the variations n investment per hectare. Previous investment per hectare and gross income er hectare, together, explain about 80 er cent to 92 per cent of the variations n all groups of farmers studied.

Results obtained from the data aveaged overall holding sizes are presented n Table V. In this analysis, holding ize is included as an additional variable.

Holding size is not a significant variable. It explains 15 per cent of variation n the overall investment per hectare. Ratio of funds invested by the cultivators from their own sources explains 19 per cent of variations. These two variables together with gross income per hectare explain about 68 per cent of the changes in the dependent variable, investment per hectare. Contribution of income is positive. The same is true for the holding size.

This study is designed to examine the investment pattern and to analyse the factors affecting it in the intensive agricultural district programme for the year 1969. This study is based on secondary data. In all 14 districts are included in the analysis. Least square technique has been applied to determine the relative impact of variables on investments. The dependent variables included in the analysis are average size of holdings, average ratio of investment financed by the farmers' own sources, average gross income per hectare and average investment per hectare lagged one year. The districts are the unit of observation. Separate equations are estimated for marginal, small, medium and large cultivators. A set of equations are also estimated for the overall pooled data.

On the basis of this study, it is concluded that equity ratio is not an important variable. Investment in the previous year is positively correlated with the investment. Probably, higher investment in the past years gives higher profits and gross income which in turn affects investment function positively.

It is observed that holding size is not an important variable while gross income per hectare is a very significant variable in the analysis.

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TABLE VI

Estimated Investment Functions, Pooled All Sizes IADP 1969

(Per Hectare)[a]

	Constant	X_2	X_3	X_5	X_6	R^2
1.	29.313	—0.680 (0.11)	—0.722 (0.93)	0.521^{xx} (4.72)	0.051^{xx} (2.03)	0.90^{xx}
2.	132.533	1.160 (0.11)	—2.542 (2.12)		0.122^{xx} (3.40)	0.68^{xx}
3.	—85.361	2.883 (0.24)			0.125^{xx} (3.02)	0.53^{xx}
4.	134.340		$—2.552^{x}$ (2.24)		0.124^{xx} (4.11)	9.68^{xx}
5.	—83.101				0.130^{xx} (3.73)	0.53^{xx}
6.	27.30	20.30 (1.48)				0.15^{x}
7.	328.939		—2.941 (1.70)			0.19^{x}

a Form of equation is linear. Dependent variable is investment per hectare in Rs.

b Figures in parentheses show t ratios.

X_6 denotes area of land holding in acres. Rest of the variables and other details are the same as that of the footnote at Table II.

Central loan agency for local authorities

Komeplla Siva Subrahmanyam

IN DEVELOPING countries, local authorities, excepting the bigger urban authorities, cannot raise loans from the open market in view of their limited creditworthiness. Even if they try to borrow, loans from commercial banks and other private institutions are available, if at all, only at high rates of interest. In order to make available loan capital to local authorities on liberal terms, especially to those which cannot raise loans from the open market, it is necessary to establish a special agency for the grant of loans.

Reliance of local authorities on the government for loan capital would not ensure an adequate and regular flow of loanable funds to them because the government, in times of stringency may starve the local authorities of enough loan capital. This is quite probable in a federal system of government. It would not be desirable to allow local authorities to go without or with meagre loan capital on account of the vagaries and vicissitudes of the financial situation of the higher layers of government. Viewed in this light, the creation of a central loan agency which is itself in a position to command funds and which also has at its disposal technical advice on the competence of the borrower and the soundness of his plans is indisputable for a successful loan policy for the local authorities[1].

several merits

The establishment of a loan agency for providing credit to local authorities has several merits[2]: First, besides providing credit at reasonable rates of interest, it will be able to give technical advice on individual projects and spur long-term physical planning at the local level. Second, it can facilitate coordination of physical planning between neighbouring local authorities and also between the local authorities and the higher layers of government. Third, it can assemble information on the loan requirements and the borrowing capacity of different local units in order to formulate programmes of capital formation. Finally, borrowing exclusively from a central loan agency provides a simple but effective means of protection against over-borrowing or excessively long debt retirement periods. In view of these positive advantages, it is necessary to establish an adequately capitalised central loan agency in each state for speedy improvement of basic facilities and increased capital formation at the local level.

A loan agency may be either of the three principal types[3]: an agency established and controlled by the government; an agency established by government but functioning as an autonomous body; and a credit cooperative formed and controlled by the local authorities themselves, with or without government participation. We shall now discuss these in turn.

first example

Kenya provides an example of the first type. The central government in 1953 established the Local Government Loan Agency, somewhat on British lines, to provide credit to local authorities for purposes for which they are authorized to borrow funds[4]. The Kenyan agency administers a Local Government Loans Fund which is a revolving fund. The fund is made up of government grant, accumulated revenue surpluses, repayable development loans, deposits from local authorities and loan repayments available for re-lending.[5] Most loans are now given in bulk allocation. Once global sanction is agreed, the ministry of Local Government can authorize drawings within the scope of the period plan; if funds in excess of this are required, fresh sanction must be obtained.[6] Generally speaking, local authorities get their loan requirements with minimum fuss or delay. This agency also acts as an agent for the African Land Development Board in advancing loans to African District Councils for agricultural purposes.

The capital of the agency at the end of 1961 was £9 million of which about £4 million constituted repayable development loans. Against this capital, approved loans totalled £7.6 million for community facilities such as sewera and drainage, water supply, roads, stre lighting, markets and slaughter hous municipal buildings and health centr Approved loans are drawn upon by t local authorities according to a pl authorized by the ministry of Loc Government.

Another loan agency of this type ca be found in Norway, namely, the Nation Municipal Bank[7]. This bank cannot ho ever loan more than ten times its capit plus half its reserves, but, with the a proval of parliament, the central gover ment can increase the basic capital of th bank. The bank may then issue mediu and long-term debenture loans for marke ing at home and abroad in order to i crease the amount of loanable capita These debentures are guaranteed by th central government. The Municipal Ban besides providing credit to local author ties, can also guarantee loans secured b the latter from other sources.

interesting alternative

Guatemala offers an interesting e ample of the second type of loan agenc In 1957, the government established a autonomous body, the Institute of Dev lopment of Municipalities responsib for promoting the progress of loc authorities by affording them technic as well as financial assistance[8]. The cap tal of the institute consists of funds a signed by the Guatamalan congress, bo rowings and contributions for speci purposes from the state. The institu also serves as a depository of the pr ceeds of a tax imposed on the local alc holic beverage (*Aguardiente*). The ta proceeds are credited to the local auth rities from which they are derived, b they cannot be withdrawn and form pa of the capital available to the institu for loans. In 1962, the institute's capit amounted to $3.07 millions[9]. Local auth rities are required to avail themselv of the banking facilities offered by t institute or other institutions specified b the Institute of Development of Munic palities.

The institute renders a variety of se

ces and assistance to the local authori-es. It provides loan assistance to cal authorities for the construction of mmunity facilities and purchase of achinery and equipment. It renders gal, engineering, purchasing, budgeting, venue and other services to the local ithorities. It collaborates with the Pan-merican Health Organization and the iblic Works department in financing the orks relating to school and water facili-es. Finally, it prepares plans and specifi-itions for the construction of com-iunity facilities for the local authorities ithout any charge.

The third type of loan agency is the edit cooperative for local authorities. he Credit Communal de Belgique of elgium established a century ago as a mited liability company belongs to this itegory[10]. The provinces and local autho-ties are its shareholders as well as cus-mers. It also provides credit to other stitutions on the strength of municipal iarantees. The agency, although started ithout any paid-up capital, has from me to time floated loans on the open arket. It sells cash certificates repay-ble within one to ten years and also ccepts savings deposits from individuals. irthermore, it serves as depository of nds of most provinces and local autho-ties. In 1959, its fully paid-up capital ood at over B. fr. 560 million[11].

Similar credit institutions can be und in the Netherlands and Israel. In e Netherlands, the Bank for Nether-nds Local Authorities was constituted n the lines of Belgian loan agency with difference that here 50 per cent of its ares are held by the Netherlands' overnment. In Israel, a credit institution called Otzar Hashilton Hamekomi was established in 1954 as a joint stock company of the local authorities without participation of any other capital[12]. This institution in its early years was aided by the government which used it as a channel for development loans to the local authorities. In 1960, the founders' shares were distributed equally between the local authorities, the ministry of Finance and three of the largest financial institutions n Israel.

In India, no single central agency for providing loan capital to the local authorities has ever been set up in any state. Since the local authorities depend mostly on government for their loan requirements, the quantum of loan capital which a state government could make available is unstable and meagre on account of the fluctuating budgetary needs and resources position of that state government.

The Local Finance Enquiry Committee (1951) favoured the establishment of a single municipal bank for each state in which the local authorities may invest their surplus funds and provident funds and from which they can get short-term or long-term loans[13]. But the suggestion of the committee was not accepted by the state governments.

The Study Team on Panchayati Raj Finances (1963) made another interesting recommendation in this regard. It recommended the establishment of a Panchayati Raj fianance corporation in each state 'to function purely as a financial concern free from any kind of political influence'[14]. The study team proposed that the state government should fix the corporation's authorized capital, subject to the minimum and maximum limits of one crore and five crores of rupees, respectively. The authorized capital should be divided into fully paid-up shares of one hundred rupees each and issued equally at the rate of twenty per cent of the share capital to Panchayati Raj institutions, state government, central government, Reserve Bank of India, Life Insurance Corporation of India, and other financial institutions like coperative banks, scheduled banks, insurance companies, *etc*. The shares of the corporation, besides being guaranteed by the state government as to the repayment of principal and minimum dividend, should also be treated as approved securities.

The study team also recommended that the corporation should have power to issue and sell bonds and debentures for increasing its working capital and these bonds and debentures should also be guaranteed by the state government. The corporation will advance loans to Panchayati Raj bodies for the purposes of (i) public utility undertakings such as water-supply, drainage and electric lighting; (ii) construction of shops, markets, hotels and cinema houses; (iii) purchase of tractors, pumping sets, borewell units, threshers, agricultural implements and other equipment to be hired out to agriculturists and cooperative societies and for plantation and afforestation; (iv) scientific pisciculture; and (v) small-scale and medium scale industries such as rice and flour mills, brick-making, manufacture of agricultural machinery, bicycle parts and light engineering and processing industries. The term of the loans may vary between five and 25 years depending on the purpose for which each loan is sanctioned. Finally, the corporation

Debt Position of States (at the end of March) (Rs in crores)

Item	1952	1956	1961	1966	1969	1970	1971	1972	1973 (RE)	1974 (BE)
Total public debt	390	1,210	2,606	5,288	7,073	7,529	8,212	8,946	10,070	10,846
(i) Permanent debt	134	257	500	827	1,047	1,131	1,233	1,332	1.462	1,664
(of which: loans from the market)	(131)	(222)	(410)	(720)	(950)	(1,038)	(1,143)	(1,224)	(1,326)	(1.492)
(ii) Floating debt	16	10	42	189	241	182	375	600	296	304
(iii) Loans from the centre	240	943	2,014	4,110	5,584	3,987	6,365	6,756	8.010	8.536
(iv) Other debt	—	—	50	162	201	229	239	258	302	342
Unfunded debt	58	86	133	231	367	446	537	622	724	827
(of which: state provident fund)	(41)	(65)	(113)	(200)	(324)	(400)	(471)	(552)	(648)	(746)
I. Total debt (I+II)	449	1,297	2,739	5,519	7,440	7,945	8,749	9,568	10,794	11,673

Note: Figures are revised. Data for 1972 are provisional.

Source : Figures upto 1971 are taken from Combined Finance and Revenne Accounts of the Central and State Governments in India; for the subsequent years figures are based on state budgets, except loans from the market during 1973-74 which are taken from the Reserve Bank of India records.

should train and maintain a team of experts to advise the Panchayati Raj bodies on financial and other aspects of the projected undertakings.

It is thus evident that the activities of the corporation, as recommended by the study team, embrace almost the whole gamut of the capital programmes of local authorities. The state governments unfortunately did not show any disposition to act upon the recommendation. They seem to believe that the political advantages in retaining the existing system might far outweigh prudent economic considerations associated with the establishement of a separate independent body because the latter may disable the governments to utilize their-loan-granting privilege in accomplishing political ends.

Nevertheless, the establishment of a corporation on the lines suggested by the study team will have certain advantages: First, it will enable the local authorities to borrow more loan capital than they could get hitherto from the government. Second, borrowings can be effected without any taint of political considerations. Third, it removes the strain on state revenues. Fourth, since it contains a group of technical experts, local authorities can have the benefit of advice with regard to the projects proposed to be financed from loan capital. Finally, the shares, bonds and debentures issued by the corporation will be more appealing to the investors in that they carry the guarantee of the state government with the result that the lending capacity of the corporation would increase.

It is pertinent to point out that the corporation to be established should also cover the urban local authorities, namely, municipal institutions. Excepting the municipal corporations, the source of loan capital for the local authorities in each state may be centralized in the proposed Panchayati Raj finance corporation. As for municipal corporations, they may however be given the option to borrow from other sources also provided they can do so more cheaply than from the Panchayati Raj finance corporation. The need for the establishment of a loan agency on the lines discussed above must be recognized and given due consideration. When many developing countries are keen on establishing separate independent loan agencies for providing credit to their local authorities, there is no reason why our government with all the tall talk of democratic decentralization, should lag behind other countries in strenghening the financial base of our democratic local authorities.

References:

1. Hicks, Lady Ursula K.: *Development From Below:* Clarendon Press, Oxford; 1961; p. 402.

2. United Nations: *Decentralization for National and Local Development*; United Nations; 1962; p. 65.

3. *Ibid.*, p. 77.

4. This Agency was the forerunner of a similar loans agency in Uganda which has very much smaller resources. See, Hicks, Lady Ursula K.: *op. cit.*, p. 405. In Kenya, there is however another agency, the Central Housing Board, to lend money to local authorities for housing purposes. See United Nations.: *op. cit.*, p. 78.

5. *Ibid.*,

6. Hicks, Lady Ursula K.: *op. cit.*,

7. United Nations,: *op. cit.*, See Footno
The Development Board of Jordan, which w
established in 1952 as national agency for t
purpose of assisting the local authorities throu
loan capital also seems to fall under our fi
category See, United Nations.: *Administrati*
Problems of Rapid Urban Growth in the Ar
States, p. 25

8. United Nations: *Decentralization f*
National and Local Development, p. 78, In Ho
duras also, a similar institution was establish
in 1961 with the assistance of a UN expert
municipal administration.

9. *Ibid.*,

10. *Ibid*.,

11. *Ibid.*,

12. *Ibid.*, p. 80

13. *Report.*, p. 332

14. *Report.*, Part I, pp. 37-38

" criticomments "

DO PARENTS SEE THEIR CHILDREN GROW?

Often one hears a visitor, who hasn't seen a child for a long time, exclaim to the parents: "My, how big he has grown!"

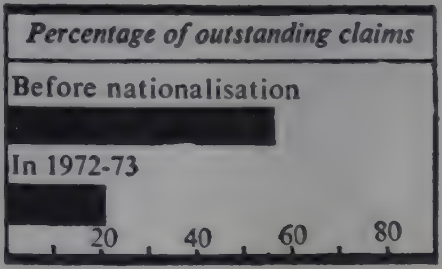
The parents are astonished at first, because the child has been with them all the time, and they never noticed him grow. They now take a second look, and it comes home to them that their son has indeed added a few centimetres to his height.

Improvements over a period of time are often missed by people, who are closely involved, unless someone draws their attention to these. Take for example what LIC has been trying to do in the matter of expediting the settlement of claims of life insurance policies.

In 1955, prior to nationalisation, the ratio of outstanding claims to claims intimated varied from 36 to 75 per cent. The average was 47 per cent for seven leading insurance companies, and 57 per cent for the entire life insurance business. This was at a time when the claims amounted to Rs. 25 crores.

By the end of 1972-73, the LIC had brought down the percentage of outstanding claims to 20.63 per cent of claims intimated. In that year the claims due for payment amounted to Rs. 103 crores.

Thus, in spite of a four-fold increase in the volume of claims due, the ratio of outstanding claims had improved from 57 per cent in 1956 to 20.63 per cent in 1972-73.



LIC's field officers are under constant pressure to go in search of policy-holders who have not put in their claims. A Claim Payments Service has already been formed and pressed into action—perhaps the only one of its kind in India. Procedures are being reviewed frequently to ensure that delays are reduced to the minimum.

Speedy settlement of claims depends to some extent on the claimants also. They are being educated by the LIC on the technical details that have to be attended to, so that delays may be eliminated.

Linc

CC-9

Here and there in western Europe—I

V. Balasubramanian

Weather most foul • How many are too many? • A day with Sandoz • UNCTAD tries to help • Market research in Geneva • The Swiss and suicide

WINDOW ON THE WORLD

WESTERN EUROPE, or at least a very large art of it, is not in the best of moods ow. This is not entirely because of its nergy problems or its difficulties with nflation or even with inflation compounded by any incipient recession. The vilain of the piece presently is simply the weather. Winter has come earlier and, n some countries of the continent, it is extremely severe, Switzerland for example s experiencing historically low temperatures. The days and nights moreover were wet as well as cold wherever I happened to go in western Europe, whether it was Zurich, Geneva, Frankfurt, Berlin, Amsterdam, Rotterdam or London. Even in Rome it was raining when I landed and also on the following day, although it was my great good fortune that for the rest of my stay in Italy there was a dry spell accented frequently by sunny mornings or afternoons.

* *

Although foul weather is the chief problem presently for the Swiss, they are not without other anxieties. The number of the jobless is reported to be actually creeping towards a staggering total of 100—repeat in words, one hundred. For the Swiss economy this situation is supposed to indicate an unemployment problem of some magnitude. More seriously, the construction and textile industries are stated to be showing a downturn in demand, while quite a few Swiss seem to be really concerned that any widespread slump in the outside world was bound to hurt even their self-confident economy sooner or later, for instance through a setback in exports.

Economic anxieties, however, are not the main explanation for the strong undercurrent of sentiment among sections of the Swiss community against the presence of foreign workers in its midst. There is genuine apprehension that the quality of Swiss life could be undesirably affected if the size of transient labour, particularly from sources such as southern Italy, Spain or Turkey, as a proportion of the small total population of Switzerland were to keep growing continuously or even if it were to stabilize at what is considered to be its already high level, with immigrants forming 16 per cent of the country's 6.4 million inhabitants, while contributing 27 per cent to its work force; in the German-speaking northern cantons, moreover, almost every other worker is a foreigner.

For the second time in five years a fairly large number of the Swiss people, who seem to have convinced themselves that what is amounting to the "over-foreignization" of their country should be corrected here and now, attempted unsuccessfully this October a political solution of their problem. Undeterred by the fact that even a relatively mild proposal to control the size of the immigrant population had been defeated in 1970, they had sponsored this time a "people and homeland initiative" which demanded in definitely harsh terms the expulsion of a substantial number of foreign workers from Switzerland at a forced pace. The drastic nature of the prescription could be gauged from the fact that, if accepted, it would have obliged the government to move foreign workers out of Switzerland at the rate of roughly a train-load a day for the next three years so that their number in the country could be reduced by half to about 500,000 in all.

business consideration

Perhaps the very severity of the proposition repelled that part of the Swiss electorate which might have cared about their country's international image. More probably the business interests of such Swiss industries as were particularly dependent on immigrant labour for a high proportion of recruitment to their labour force which Switzerland, with its low birth rate, could neither provide nor replenish, managed to prevail in the end. In any case all the major political parties, employers' associations, trade unions and the churches and the press, by and large, were united in campaigning against the proposal and, on the eve of the vote, the government too underlined its opposition with President Ernst Brugger appearing on TV.

Although some 69.6 per cent of the electorate of 3.6 million voted in the referendum and rejected the proposal by a majority of votes in each of the 22 cantons on this occasion, the issue seems to be far from dead. After all, nearly 900,000 Swiss, or about one in four of all the Swiss eligible to vote, had voted for this admittedly drastic proposal. Even as the official results were being announced, Mr James Schwarzenbach, the country's most influential and active personality in the movement for the control of immigrant labour, was stated to be starting on a strategy for another trial of strength. Mr Schwarzenbach, who was the organizer of the 1970 initiative, had retired to his tent this time since he shared the view that the particular formula proposed was too drastic a remedy. The next attempt to reopen the issue, on which he is reported to be working even now, could mean a revival of the milder 1970 proposition in some form or the other. He could take comfort in the fact that the basic lesson of the results of the latest referendum probably was that a sufficiently large number of his countrymen was more or less persuaded of the desirability of limiting or even reducing gradually the size of the immigrant labour force provided this is not done in a way which damages Switzerland's cultural claims as a member of the European community or inflicts undue hardship on the affected immigrant workers.

Meanwhile I could personally vouch for the relief felt by certain categories of Swiss employers that, for the time being at any rate, the fall of the axe on immigrant labour has been averted. The couple who ran the hotel where I stayed was no less than jubilant that they were not to be deprived of the services of their Italian staff. There could be no doubt that many service industries and particularly the hotel industry, which must mean a great deal for an economy thriving so considerably on tourism, will have to suffer a shake-up if and when the Swiss in their wisdom decide that they could do with fewer foreign workers. Incidentally it is worth adding that I found quite a few Asians, many of them from Sri Lanka, working in hotels. Finally, there was the young woman, obviously from the boot of peninsular Italy where so much of that country's southern poverty is bred, cleaning the streets of a Swiss town on a Monday morning of week-end garbage and Sunday's litter. Try as I might, I just could not imagine the affluent Swiss community readily releasing any of its native-born members for such menial chores so long as there are needier European neighbours available for the purpose.

* *

I was happy indeed that, during my short sojourn in Switzerland, I could spend one complete working day on the hospitable premises of Sandoz Limited at Basle. Officials concerned with Group Marketing in the international division of the company demonstrated an interesting degree of familiarity with the politics of the pharmaceutical industry in our country during the discussions I had with them. Sandoz (Basle), I learnt was definitely interested in the expansion and diversification of the operations of Sandoz (India) Limited and I heard the hope expressed that the conditions would be right for this process. In this connection, it was pointed out to me that Pakistan's experience with the enforcement of the marketing of drugs by generic descriptions instead of brand names had not been very encouraging and it was felt that the pharmaceutical industry in India would be able to persuade the powers-that-be that there would be more disadvantages than any possible advantages in New Delhi opting for a similar approach. The argument quite simply was that the economics of pharmaceutical research is such that it is not just worth the while of any multinational pharmaceutical company to invest in developing or introducing new drugs or formulations in markets where the legitimate commercial advantages of marketing under brand names were not available to it.

Sandoz, it seemed to me, gave as much care to the training as to the personality aspects of the guides they employ for taking visitors on a tour of the works. The woman who did this service for me—she was formerly an air hostess with Swissair—could not only make pleasant conversation but was also fully up to being sufficiently informative about some of the broad features of the company's operations. One of the things she was trying to impress on me was the amount of money that went into research out of the company's earnings. I naturally did not want to confuse her pretty head with sophisticated arguments about the differences that seemed to exist among those who claimed to be experts on the subject over what constituted expenditure on basic research strictly defined, and research as generally described or understood.

big business

In any case this refinement would not have been very relevant to the occasion as this visit to Sandoz, even as my visits last year to Hoechst and Bayer in the Federal Republic of Germany, have convinced me that drug research is undoubtedly big business of a kind which only large pharmaceutical companies operating on the scale and with the flexibility of enterprises cutting across narrow national frontiers could contemplate or organize with adequate investment of capital or scientific manpower. It is worth adding that, as is the case with Sandoz and many others manufacturing pharmaceuticals, operations tend to spread out into an ever-expanding area of development and diversification in which pharmaceuticals become only one line of activity along with other lines such as the manufacture of agricultural chemicals including pesticides. One legitimate inference could be that a government policy for pharmaceuticals, which positively promotes this business, could also have the effect of encouraging the emergence or progress of many other related industries of national importance.

* *

Geneva, one rather cynical non-Swiss observer of Swiss morals and manners told me, is the place tired busines
men and bankers from Zurich and Bas
go to for their more or less discreet wee
ends. Geneva is also the place whic
has helped the prudent Swiss to mak
money out of international organizatio
instead of spending money on the

bureaucratic growth

While all bureaucracies grow fast, U
agencies tend to grow even faster. Be
ween UNCTAD I and UNCTAD I
whatever else might have happened
not, UNCTAD itself has moved to bigg
and better quarters. This has given
more room and more people to do le
work in or with. The blame howev
does not rest on it. By its very natu
UNCTAD could act only on the initi
tives of other organizations or from oth
sources. So far as the Trade aspect
UNCTAD's rather vague responsibilit
is concerned, the tune is expected to
called at present primarily by the Am
ricans mostly at the GATT negotiatio
where the negotiations are expected
be centred in tariff and non-tariff barri
relating to primary commodities and p
ticularly agricultural products. The U
ted States is believed to be determined
liberating as much as possible of the
ternational trade in agricultural produc
Its success in this direction would na
rally depend on the extent to which
could trade concessions with other co
tries or regions, particularly the E
This could reasonably mean that, althou
the spotlight might be on commoditi
especially agricultural products, the ne
tiations must necessarily influence
cover trade situations in manufactures
semi-manufactures as well.

To the extent that primary comm
dities or agricultural raw materials
products form major subjects for GA
negotiations, the developing countr
obviously stand to gain by doing th
home work in advance and as thoroug
as possible. Some national governme
in the third world, notably the gove
ment in New Delhi, might believe w
greater or less justification that it kno
what it needs to know about these m
ters. There are however quite a f
developing countries where the bure
cracy is less knowledgeable or self-co
dent. They should improve their ne
tiating positions at the GATT talks
they could receive some help in determ
ing what they could successfully look
or profitably argue about. There is lo
ted somewhere in the labyrinths of in
national bureaucracy in Geneva a sm
but, as is to be naturally expected
growing cell designed to provide this
vice. This is the Interregional Techn

sistance Project for Multilateral Trade egotiations, an agency fathered by NDP out of UNCTAD (or *vice versa*). e Project is financed by UNDP, while NCTAD is the "executing agency." eveloping countries which are participat- g in the multilateral trade negotiations ing organized under the aegis of GATT which are considering participation, e entitled to approach this Project for chnical assistance.

This facility aims at providing data nd assistance of a purely factual or tech- cal nature. Statistical data on trade ws, trends and growth, factual data on riff or non-tariff barriers, objective ana- sis of trade problems and proposals merging in the course of the negotiations ay be provided by the Project in res- onse to requests from developing coun- ies either individually or as a group. he Work Plan adopted for the Project cludes the following features:

(i) Collection and tabulation of basic data on trade and trade barriers to meet the initial need of interested developing countries in preparing for the negotiations;

(ii) Tabulation in computer printout form, covering in the first instance MFN tariff rates, GSP and other preferential rates. imports in principal markets, exports from developing countries and competing suppliers, market growth—to be followed at an appropriate later stage by additional data on production, prices, etc;

(iii) Analyses and studies on particular aspects of the negotiations; and

(iv) Orientation workshops for government officials; seminars for members of negotiating delegations and advisory services on negotiating techniques and analysis and evaluation of the final tariff proposals, solutions concerning non-tariff barriers, legal and institutional dispositions relating to safeguards, organization, etc. which would help developing countries in defining their final positions in the light of their joint or respective individual interests.

Work on implementation of this Pro- ect was started in Geneva in mid-1973 nd by July this year the Project had been in operational shape for some time during which computer data sheets had been made vailable to some 27 developing countries while further analysis of the data with a view to pinpointing the trade interest involved had been undertaken for some 10 countries. It is believed that this Project will have considerable utility for developing countries particularly in Africa and Latin America. It is also hoped that national governments in Asia including southeast Asia could draw on its resources for supplementing their own information and capabilities in differing degrees.

* *

Without venturing any opinion on whether what I am going to say presently has any relation to the problem, if there is one, of the "over-foreignization" of Switzerland, I would like to mention the story of my lost *chappals*. On the night before I was to leave Geneva by an early morning flight, they were not to be found in my hotel room. They were the genuine Sholapur article, fairly new and rather attractive specimens of the kind. I must say that I was not too happy to lose them, especially on the first leg of my travels, but there was nothing that I could do about it except remonstrate with the night porter, who very reasonably replied that he was helpless since at that time of the day or night he could not check with the room cleaning service or anybody else who might be in a position to help.

Looking back, I am not disposed to regret the experience. After all it gave clear proof of Indian footwear of the right kind being in keen demand in Geneva. This, even if it is I who say it, must be the most impressive and also the least expensive exercise in market research ever carried out on our export promotion front. This being the case, the Leather Export Promotion Council, I feel, owes it to me to replace my Sholapuri *chappals*—I wear No. 7 in shoes.

* *

On the plane from Geneva to Frankfurt I found myself in a centre seat between a German, who seemingly desired to read, on my right and an Englishman, who was obviously determined to talk, on my left. The odds naturally were in favour of the Englishman which meant that I was soon engaged in a dialogue most of which was one-sided. The Englishman in his middle forties had spent a year or two with the British army in India, also in the middle forties.

He was rather sentimental about that passage in his life confessing somewhat dolefully that while he would not have the girls he could have had, he could not have the ones he would rather have had but who would not have him because they came from what he called conservative middle-class Hindu families. He spoke too of what he described, predictably without originality, as the spirituality of the Indian people. After saying that he was a business executive now working in Switzerland and settled there for some years although still retaining his British citizenship, he began to compare with "Indian spirituality" what he deplored as the crass materialism of the prosperous Swiss.

Emphasizing the fact that the suicide rate in Switzerland was the highest in all Europe, not excluding Sweden, he argued that the explanation could only be that the Swiss had neglected to possess themselves of their proper share of the world's fund of spirituality. I suggested that the matter might be a little more complex than that and that in any case both he and I should know a lot more about the anatomy, so to speak, of suicide in Switzerland than bare statistics about so many suicides per thousand of population before we could go into the profound mystery of why there were so many suicides in that country. He seemed to ponder this point and then agreed gravely that he might have been guilty of over-simplification. After which he proceeded to suggest that sexual repression which, he alleged, was present to a high degree in the Swiss community, could also be contributing to the suicide syndrome.

His next observation or observations seemed to me at least to have no connection with or bearing on what he had said before. It was a Swiss, he said, who had taken him to his first brothel. This, he said, was in some South American country, where the two had gone on business as the travelling salesmen of the Swiss firm for which they were working. Mercifully, a 727-jet does the distance from Geneva to Frankfurt quite swiftly and as the plane was being put through the last movements of the landing procedure, my very temporary companion confessed that he was always scared of flying although he had perforce to do lots and lots of it. I said briefly that what he had said had not come to me as a surprise since I had been noticing that he was swigging whisky continually from a hip-flask during the flight. Drink loosens some tongues and it does not always ensure that they stick to truth. I somehow don't believe that this Englishman had to go to South America before he could get into his first brothel, nor am I persuaded that he needed the services of a Swiss or indeed anybody else whether as a guide, an escort or any sort of a technical assistant.

(*to be continued*)

The A.B.C. of precious metals – II

London

Jossleyn Hennessy

I

Monetary Gold and the Gold Trade

It has been plain for some time now that, in the long run, the huge discrepancy between the artificial low monetary price of gold and the market price cannot be tolerated because it has immobilised gold as a means of payment settlements between western central banks.

Despite this, it took the energy crisis to discredit dogma and get things moving again. The termination in November last year of the 1968 agreement, under which the Gold Pool countries undertook not to sell gold on the market, had in fact no material consequences since central banks resorted to the previous fixed price for balance of payments gold settlements. However, the free market is too narrow to absorb large-scale gold sales and would soon react with a price collapse, especially as long as central banks are prevented from buying the metal.

payments deficits

The outbreak of the energy crisis confronted the oil-importing countries overnight with massive payments deficits. Rough OECD estimates suggest that the oil-importing industrial countries in the west will have to meet an additional foreign exchange bill of over $50,000 million in 1974 and those developing countries which do not themselves produce oil one of about $10,000 million.

Small wonder then that there has been increasing pressure to reactivate gold reserves, particularly on the part of those west European countries which have run up the biggest oil deficits and at the same time hold substantial stocks of gold. In April of this year, the EEC countries agreed on a joint proposal that central banks would be free to transfer gold among themselves at a market-related price as well as to buy and sell gold on the market.

The Americans felt unable to support this but, in view of Italy's increasingly critical predicament, offered to compromise at the Group of Ten meeting in June, 1974. In future, central banks may pledge their gold at a market-related price as security for foreign loans. In the event of insolvency on the part of the borrower, the gold will pass to the creditor at the price agreed upon when the loan was negotiated. A central bank receiving gold can also enter it in its balance sheet at the so-called market-related price. Owing to the sharply fluctuating value of gold on the market, the price at which it can be pledged as collateral is, at a guess, likely to be anything up to a quarter or a third lower than the market price, because no creditor will be willing to risk having to accept gold at a price in excess of that prevailing on the market at the time when the metal would pass to him.

American agreement to the Group of Ten proposal was more readily forthcoming as the scheme underlines the commercial character of gold and does not involve a guarantee or the fixing of a new official gold price. The price for gold as collateral is simply subject to bilateral agreement.

At present only West Germany and the Arab states themselves are potential lenders against gold collateral. Whilst it is true that the USA has accepted the resolution, it is unlikely for the time being to accept gold as security. As is obvious from the exceptionally brief and cautious statement issued by the US Treasury following the agreement, the Americans are certainly not thinking of departing materially from their hitherto dogmatic position in the near future, if at all.

II

But Gold Won't Solve Payments Deficits

The practical significance of the gold accord for the solution of balance of payments difficulties caused by the oil crisis should not be overestimated. Approximately half the aggregate monetary gold reserves are held by west European countries, a quarter by the USA and nearly 13 per cent by the IMF: central banks in Japan and the developing countries have hardly any gold stocks.

Hence, only a handful of countries
stand to benefit from a remobilisation
gold reserves, and even for them it w
only be a temporary way out of t
dilemma. If her present monthly curre
account deficits of about $1,000 millio
persists, Italy, for example, which hol
gold reserves of $3,500 million valued
the official price of $42.22 an ounce, cou
create for herself a breathing space
one year at the most by pledging her go
as collateral.

It is therefore clear that top priori
must continue to be given to domest
measures in order to restore balance
payments equilibrium. In view of t
high mark-down compared with the fr
market price, which is to be expected
the metal is pledged as collateral, mon
tary gold will probably only be used as
last resort.

top priority

The agreement reaehed by the Gro
of Ten dispelled fears on the free mark
that large-scale compulsory selling
central bank gold on the free mar
might be imminent. Amounting to m
than 30,000 tons, monetary gold reser
represent an enormous supply potent
when one considers that the ann
turnover on the free market is curren
only about 1,200 tons.

The Group of Ten resolution is mer
a stop-gap arrangement designed to t
a few countries over their immedi
difficulties. Gold's long-term role in
projected new world monetary order
however, still very much an o
question.

At its meeting on June 12, the Co
mittee of Twenty only touched upon
issue. There is a consensus that Spe
Drawing Rights (SDRs) should ultima
become the primary reserve asset beca
gold production is not adequate to al
any sizable quantity to be diverted
monetary purposes and limits are
to be set to the accumulation of fur
reserve currency assets. There is
unanimous agreement that simply refi
the gold price at a correspondingly hig
level is not a viable solution beca
sooner or later, it would bound
encourage renewed speculation.

On the other hand, the majority

uropean countries do not subscribe to ie official American view that gold hould be completely eliminated from the ionetary system as a standard of value s well as an international liquidity eserve.

As a monetary reserve, gold has a umber of merits esteemed in times of unertainty. Unlike foreign exchange assets, hose intrinsic worth is at the mercy f the economic situation or the policy f the authorities in the reserve currency ountry, no such risks are attached to old. It is the only reserve embodying a eal value and is therefore marketable and tilizable at any time. Moreover, insofar s it is kept within the country, gold has urther advantages over other reserve ssets in that it is on hand in times of ar or emergency, is exempt from transfer estrictions and runs no risk of being locked.

However heated the debate may at mes become, the gold problem seems to e of secondary importance. It will esolve itself the moment that another eserve asset enjoys a similar degree of onfidence.

Everything will therefore hinge on the ole of SDRs in a future monetary system.

Past experience with this asset is, howver, not such as to inspire confidence. uite apart from this, if SDRs are to perorm their intended function in a reformed ionetary system, they need to be extenvely remodelled. The proposals put orward so far lack credibility. One of hem in particular, the link between DRs and development aid, would not nly produce an inflationary spin-off but ive SDRs political overtones as well. ll in all, it is hard to visualise that DRs whose proper functioning ultimately epends on the extent to which the spirit f the agreements and the written and nwritten rules of the game are observed, ill ever enjoy the same confidence as old or be able to assume its function as last-ditch reserve.

III

The Future Price of Gold

When we stop to consider that, up to ie two-tier division of the gold market 1968, an ounce of fine gold cost $35 id as recently as the beginning of 1973 ould be had got $65, the temporary peak f over $180 reached earlier this year eems astronomical.

However, it is important to bear in ind that from 1934 to the spring of 968, the price was stabilised by artificial means and was thus shielded from the inflationary increases to which other raw materials or basic products were subjected during this period. Nevertheless, in the years immediately following the two-tier division, the pattern of gold price development on the free market was relatively stable.

It was not until the climate progressively deteriorated as a result of permanent monetary crises, the threat of world currency erosion and finally the energy crisis, that gold began to make up its long overdue price leeway at a headlong rate. If we compare the price trend of other important metals such as copper, silver and lead from 1934 up to the beginning of 1974 with that of gold, it is evident that gold still has considerable ground to make up.

The gold market has, however, a number of unique features, so that no hasty conclusion should be drawn to the effect that the gold price will continue to rise at a faster rate than prices for other commodities.

The factors determining supply on the gold market are primarily new production from South Africa and a handful of other countries and sporadic selling by the Soviet Union.

progressive decline

World gold production (not including the eastern bloc), of which South Africa accounts for 78 per cent, has progressively declined from 1,275 tons in 1970 to 1,094 tons in 1973. South African production fell because the rising price enabled the mining industry to work deposits with a lower ore-content, thus conserving its high-grade reserves and to some extent postponing the more rapid decrease in production which looks like being inevitable after 1980. Moreover, not all of South African gold output reaches the market. When the balance of payments situation allows it, part is sometimes channelled into the country's monetary reserves.

The Soviet Union, the second biggest gold producer in the world with an annual output currently estimated at between 220 and 240 tons, has for some time been pursuing a market-orientated policy, dosing her sales according to the absorbtive capacity of the market in order to obtain the best price.

In times of stagnating demand, the Russians stay off the market for shorter or longer intervals; occasionally they have even been reported as buyers. On the other hand, they habitually take advantage of strong demand and rising prices to engage in large-scale selling. Apart from new production, other ancillary factors affecting supply are sales arising from dishoarding or speculation.

On the demand side, the needs of industry and the jewellery trade predominate. Between 1935 and 1971, these components grew steadily because gold was cheap in comparison with other metals. Prompted by the recent price increases, however, the search for substitutes has begun. Already in 1972 industrial and commercial consumption fell from a record 1,412 tons in 1971 to 1,254 tons. Last year it shrank further.

demand factors

Of total industrial gold consumption in 1972, 64 per cent went on jewellery, nine per cent on coins and medallions, 8.5 on electrical engineering and electronics and six per cent on dentistry. The rest was used for various other mainly decorative purposes.

Jewellery accounts for virtually the entire hoarding demand from the east, primarily from India, Pakistan and South-East Asia, where it is not customary to keep gold in bullion form.

Since its peak year in 1970, eastern demand for hoarding purposes has fallen steeply because of the rising price of gold. The days when it constituted the major constant in demand for the metal now seem over, because the purchasing power of the masses in India and Pakistan cannot hope to keep pace with the soaring prices. Indeed, the present trend could, on the contrary, lead to a temporary tendency to liquidate hoarded stocks. There is already some evidence that this is, in fact, taking place.

In 1973, however, there were also signs that the gold consumption of Europeon jewellers, which had hitherto been increasing at a rapid rate, was also starting to flag. In the electronics industry, on the other hand, demand is still buoyant. Nor is the price uptrend likely to have any adverse impact on demand in dentistry. It seems a safe long-term bet that, once the hectic price movements have ceased, demand for jewellery purposes in western industrial countries will pick up to some extent, even with prices at a high level, as this would tend to enhance the metal's prestige.

Adding up newly-mined gold, plus those quantities resulting from Russian sales, and from industrial and commercial demand, shows that supply had to be augmented in 1972 from speculative sales and the liquidation of hoarded stocks in order to meet industrial requirements; in 1973, the converse was true. Thus, the unexpectedly steep increase in the gold price since the beginning of 1973 can no longer be explained in terms of an upsurge in traditional demand.

A complex of factors including the dollar devaluation, the resulting uncertainty on the foreign exchangs markets, the panoply of capital controls erected in most of the hard-currency countries, particularly in West Germany and Switzerland, mounting inflation and booming commodity prices, has considerably enhanced the attraction of gold as an investment or speculative medium. Just how strong an element the monetary influence was is illustrated by the fact that between January and November, 1973, the gold price ran virtually parallel to the dollar rate of the Deutschmark.

Investment for gold could receive a considerable new boost if, before the year is out, Washington, as expected, does in fact lift the ban on private gold ownership which has been in force since 1934. If this is so, American institutional and private investors, disillusioned by the prolonged bear market, might invest part of their assets in gold.

Apart from the price falls which might be provoked by central bank sales, virtually all the other factors affecting the market suggest an increase in the price of gold. The instability on the exchange markets looks like continuing, inflation is almost certain to persist, western gold production will tend to decline even if higher prices enable less profitable mines to be worked, and industrial demand will probably pick up again slowly once the current phase of restriction has run its course.

To sum up, experience with gold recent years has tended to confirm th the gloomier the times, the more bright gold glitters as a monetary reserve private investment. Until the industri countries manage to restore a measu of economic and political stability, go will lose none of its lustre. At the mome this prospect is regrettably remote.

Source and acknowledgements: Tl foregoing summarises a special report the latest issue of "*Prospects: Busine News Survey*", published by the Swi Bank Corporation, Basle, Switzerlan but the bank is responsible neither f the emphasis of my summary nor for n interspersed comments based on a varie of sources.

(This is the second of two articles c gold. The first appeared last week.)

Europe suffers from imported nervousness

Vienna

E. B. Brook

Since the British and west European press are publishing daily most woeful news about continually rising prices, falling share values, rising unemployment and predicting much more trouble to come it may help to begin with a few more hopeful items. If today is bad, yesterday, according to the IMF, was really quite good.

Up to the middle of the year world trade continued to grow rapidly, both exports and imports increased by between 12 and 15 per cent and both were about 50 per cent higher than at the same time in 1973. Not bad for a world depicted as staggering to doom under the burden of four-fold increased energy prices. That was, of course, before the disappointing harvests, increasing unemployment in France, West Germany and Italy and the daily dose of newspaper gloom persuaded everybody to feel depressed and the Economic Commission for Europe in Geneva to forecast that industrialised countries will have a gross annual growth rate for 1974 of less than one per cent overall. There is a slump in house building in the USA and the UK but in West Germany thousands of houses are standing empty because middle class people are unable to pay the steeply increased rents demanded. It is not long before bad news and anxiety produce depression and greed in exaggerated forms, both significant components of today's dreary picture.

The depressed British, less heavily taxed than any of the Scandinavians, the Dutch, the French or the Austrians are selling more cars abroad than a year ago giving them a £73 million trade surplus and a record trade surplus in this sector of about £1 billion is expected for all 1974. Among their best sellers are private cars, tractors, dumpers and trailers, the last three items being up on last year by 43 per cent. The Common Market is also, as a whole, paying its way and at least one member, West Germany, remains as Chancellor Schmidt remarked, "almost disgustingly prosperous." Outside the Market, Austria studiously avoids unemployment and gives work to tens of thousands of Yugoslavs, Turks and Spaniards while Switzerland, believe it or not, has just 92 people out of work. Afall in house building may send the little total up soon but this figure must be a world record minimum.

Spain has become a major industrial producer and shipbuilder and the majority of people finding the money for holidays in sunny Spain are beginning to be Spaniards rather than foreigners. The Norwegians are fairly rolling in money and prospects of mone with their burgeoning oil industry and or would need to look hard to find real bad luck in any of the three small Benelux countries. So spare tears for Ita and a sigh for France, but both tl Italians and the French are really doir very well.

Just as France lived with a series c swiftly changing governments in tl twenties and the later forties so Ita manages very well on the whole with procession of governments of ve much the same personnel compositic with sizeable intervals with n government in office at all. Its popul Fiat cars continue to be easily Europe best seller and the oil aud gas industri are increasingly making Italy a point profitable exchange. Middle East ar Russian oil and gas converge on Tries and nearly 12,000 million cubic metres natural gas are being transported acro the Sicilian Channel and the Messir Strait from Algeria's Sonatrach to pow new industries in Italy's poorer southe area.

France is having a series of strik which make it resemble Britain and Ita more closely, partly due to the heavy cetralization of French administration extremely expensive Paris and partly b use, as elsewhere, it suits certain politi- l parties to draw attention to them- lves by posing as the righters of wrongs nd as the poorer man's champion. But e French unemployed have it better an any others in west Europe and much the trouble is due to the rigour with hich the government in Paris is imple- enting its anti-inflation programme. hile it declines to improve wages it ually operates a credit squeeze that oils the business climate and slows onomic activity to the brink of reces- on.

rench fears

The French government's techni- ue is, in fact, not altogether unlike the onomies imposed in the USA by Pre- dent Ford and neither are budging in eir penny-pinching attitudes for the me being. The money-conscious rench fear a deficit more than most and y the end of this year will have borrow- l seven billion dollars on the inter- tional capital market to offset such an ent. France can finance the cost of ese loans this year but they will be a urden for another decade and, refusing join the energy group of 12 mutually- ding states over oil supplies, France is egotiating independently for oil with aq, Venezuela and Algeria for 10-year pply agreements similar to that it sign- l with Iran earlier this year. In this ay, France hopes to be able to main- in a GNP of about four per cent.

France is almost alone in taking a ng-term view of present problems. It ill have nothing to do with short-term ans or deposits, in mutual aid schemes y oil-users or in the schemes for re-cycl- g "petrodollars" from oil-producing untries. With cold Gallic logic it seeks ng-term agreements with oil producers volving advance deposits to ensure em- oyment in France.

Much of the concern felt in west urope stems from developments in the SA where recession seems to be setting , where the dollar is still weakening and here there is increased division between ongress and the Administration. A reatened coal strike in the US adds to ns-Atlantic nervousness and make it a ore sensitive and unforthcoming nego- ator with the Common Market and, ospectively, in the coming GATT dis- ssions. Congress has yet to give the -ahead to the US Trade Bill which will able Washington to join the probably ears-long bargaining in Geneva over rms of international trade but everyone, cluding the Market, is getting ready for ese discussions.

The general expection is that the GATT discussions will begin early next year—nearly two years after the idea was approved in Tokyo—and the Market has now gone as far as approving a new draft proposal updating and expanding the general guidelines for the talks approved more than a year ago. There is now much more emphasis by the Market on the problem of export restrictions in a world economy characterized by insecurity of supplies. The Market, unfotunately, is still rather vague but at least the Market Commission is anxious to correct the feebleness of GATT rules on export restrictions. These rules were agreed when trading circumstances were very different from those today and GATT is not equipped to deal with countries that deliberately sell much less than they could because they either want to push up prices or keep minerals or fuel in the ground. The lists of exceptions in GATT's articles 20 and 21 to the general rule against export restrictions in article 11 are so long and so broad that this general rule is easily evaded.

The best news from Brussels, in fact, is that a group from the US Department of Commerce is there talking about the effects of industrial policies on the GATT multilateral trade talks. The discrimination of the Market against the USA on public procurement and the USA's huge margins of preference for their domestic tenders are major preliminary obstacles to the Geneva talks. But there is a greater willingness to hear and consider each other's viewpoints than two years ago and not a little is to be hoped from the day-to-day US-Market talks in Brussels and occasional checks with GATT in Geneva that both "brutal" price movements and deliberate stalling on sales may give way to compromise.

In Rome the Europeans, among others, have been realizing how others just manage to live—without thought of prosperity—and some have made helpful promises of assistance; but there is suspicion of the Kissinger plan as involving other states in a fixed obligation which at some time they might find it inconvenient to fulfil. The hungry are likely to find that their best friend is good weather rather than well-intentioned politicians with an eye on their voters and, not least, on their farmers.

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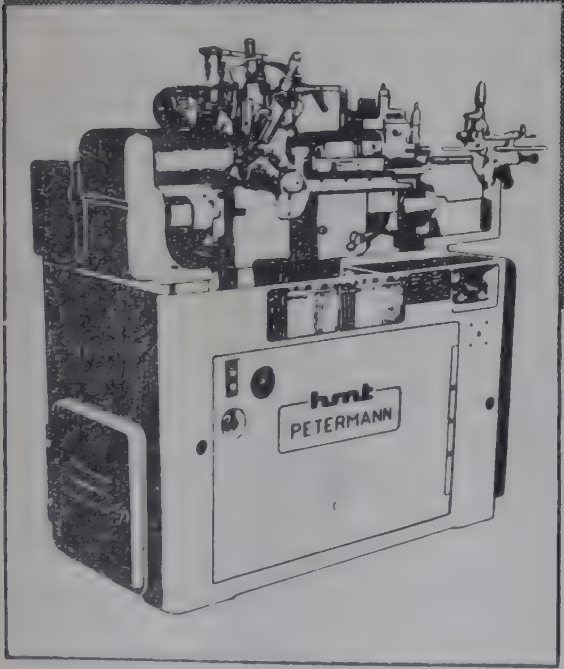

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TRADE WINDS

Food Meet at Rome

THE WORLD Food Conference, which ended in Rome recently, approved the Indian proposal for the establishment of a World Food Council under UN auspices to supervise its anti-hunger strategy. Agreement on the council—a ministerial-level body to be elected by the UN General Assembly—was reached after long deliberations between industrialised and developing countries. The World Food Council will be responsible for coordinating and strengthening exsiting international agencies working in the field of agricultural development. It will also be charged with reviewing the world food situation and making recommendations to the UN General Assembly and international organisations as appropriate.

The main achievements of the conference included an agreement that the level of international food aid, covering both grain and money to buy grain, should be roughly doubled to 10 million tonnes in each of the next three years. Another agreement reached at the meet was that an international fund should be set up to promote agricultural development in the world's poor countries. The conference adopted a resolution invitjng industrialised conntries to make greater efforts to share their agricultural technology with the developing world.

It was also agreed to work out a long-term plan to provide an "insurance policy" to make sure that there was always enough in store if emergencies arose. A linked resolution called for the setting up of an exchange of harvest information to provide an early warning system on impending famines.

Three Loans

The issue of three loans aggregating Rs 175 crores was announced by the union government on November 14. This will be the second instalment of market borrowings to be undertaken by the government in the current financial year which takes credit of Rs 498 crores from this source. The gross borrowing will be of the order of Rs 700 crores and with discharge of the order of of Rs 202 crores, the net borrowings will be Rs 498 crores. The subscriptions to the three loans at 5.25, 6 and 6.25 per cent will be received from November 22 to 25, but the list may be closed earlier without notice as soon as the total amount has been subscribed. The government also reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount.

The first instalment for Rs 400 crores was issued in June last. The net realisation from this loan after discharging maturities is of the order of Rs 237 crores. The balance of the borrowing to be done during the current financial year is Rs 261 crores, there being no further maturities during the year. The second instalment of Rs 175 crores is issued at par and the interest rates are in alignment with the current pattern of yields. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from section 80-L of the Income Tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the wealth tax up to Rs 1,50,000.

Railways Withdraw Concessions

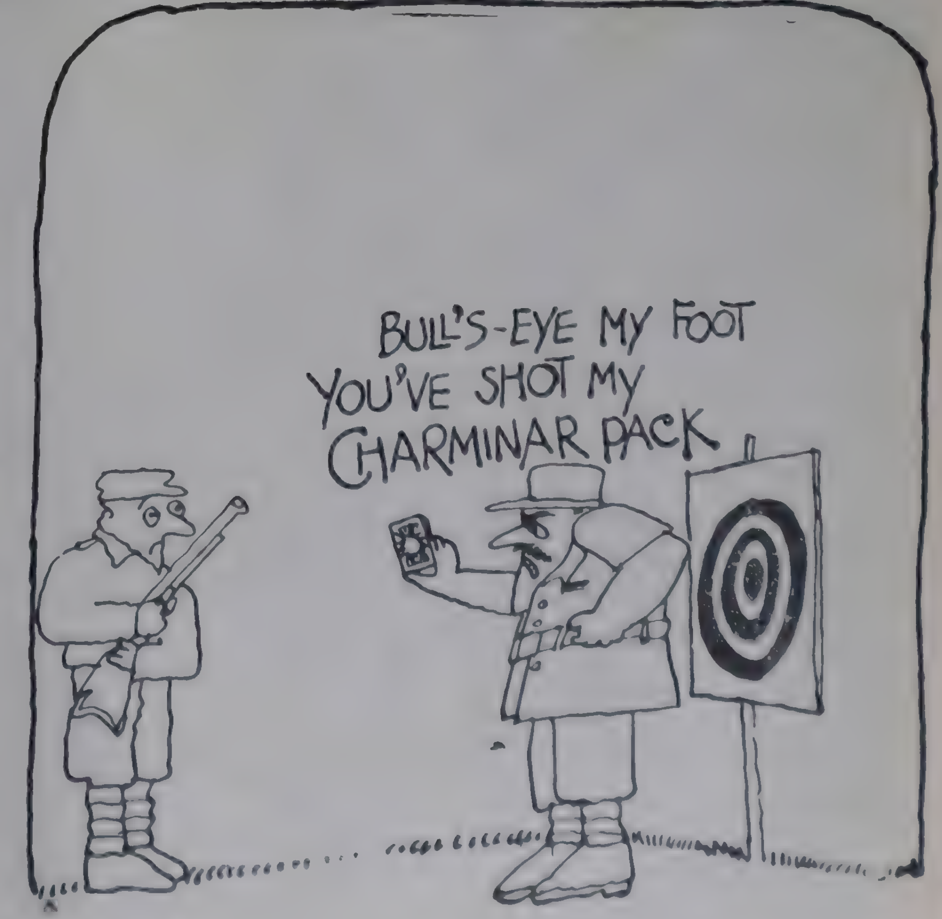
The railways have decided to withdraw the frieght concessions on 153 export items, thereby effecting a saving of about Rs 54 lakhs, union minister for Railways Mr L.N. Mishra, stated in the Lok Sabha recently. The minister added that the Commerce ministry had forwarded the views of the exporters against the move, but it could be very difficult for the Railways ministry to revise the decision. Mr Mirhsa added that the railways had decided not to withdraw the freight concessions in respect of iron and manganese ore exports of the total value of Rs 3.5 crores.

Cotton Output

Though the net area sown in cotton had dropped a little during the 1973-74 crop season, production went up according to the all-India final estimate of cotton crop by the Directorate of Economics and Statistics. The cotton area sown had been 7,601,400 hectares, as compared to the previous year's 7,678,600 hectares. But production was up by about 400,000 bales from the previous year's 5,416,800 bales to 5,819,200 bales this season. Production of cottonseed as well as kapas also registered a slight increase. A fall in area sown, reported from Maharashtra, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh was generally attributed to the unfavourable weather conditions at the sowing time and crop rotations. But in Andhra Pradesh, Karnataka, and Gujarat the cotton area went up. Production increases were mainly due to the increase in the yield achieved by the large-scale introduction of high-yielding cotton varieties in Andhra Pradesh, Gujarat, Karnataka, Haryana and Tamil Nadu. The increase in the sown area in some of these states had also contributed to the higher production figures.

Khetri Smelter

The smelter plant at Khetri project has started working,


BULL'S-EYE MY FOOT YOU'VE SHOT MY CHARMINAR PACK

CMVS-120-102

which was officially announced recently. Copper concentrates were led into the blast smelting furnace. This is the first step towards the production of copper. Copper concentrates are already being produced at Khetri and Dariba concentrator. Until now they were being sent to the Indian copper complex at Ghatshila for smelting.

Earnings from Iron Ore

An increase of about 34 to 40 per cent over the prices of 1973 has been obtained from the Japanese buyers for export of basic and high-grade iron ore, Mr D.P. Chattopadhyaya, union minister for Commerce, informed the Rajya Sabha recently. The minister also stated that about 100 million tonnes of iron ore and 10 million tonnes of manganese ore were likely to be submerged with the coming up of the Supa dam across the Kali river in Karnataka.

Emergency Loan to Dacca

This country has extended an emergency credit of Rs 10 crores to Bangladesh for purchase of essential commodities and industrial raw materials. An agreement to this effect was signed recently between Mr Kafiluddin Mahmood, Finance Secretary of Bangladesh, and Mr M. G. Kaul, Secretary, Department of Economic Affairs, government of India, on behalf of their respective countries. Mr Mahmood discussed the details of the credit with Indian officials during his eight-day visit. The agreement followed Bangladesh's request for help to meet the emergency situation arising out of the recent devastating floods in the country.

Cotton Textile Exports

Cotton textile exports for the first 10 months of 1974 have already touched about Rs 254 crores, against exports of Rs 226.3 crores for 1973 and Rs 150 crores for 1972. Among the top items in exports, readymade garments have performed exceedingly well with exports doubling themselves from about Rs 32 crores during January-October 1973 to Rs 68 crores for the corresponding period of this year. Piecegoods were at Rs 133 crores against Rs 107 crores last year. Exports also earned higher unit value at Rs 3.70 per sq. metre during October against Rs 3.28 earned during January-September, 1973. The sale has been marked by Europe importing goods worth Rs 57 crores against Rs 49 crores last year; the US imported goods worth Rs 32 crores this year against Rs 19 crores last year.

Indo-Burma Cooperation

The union minister for Commerce, Prof D. P. Chattopadhyaya, has offerered India's technical know-how to exploit the vast forest resources of Burma, especially teak. The leader of the Burmese purchase-cum-goodwill delegation, U H Thein Nyunt had a meeting with the Commerce minister to discuss the scope for collaboration between India and Burma regarding the development of Burma's forest-based industry. The four-member delegation is in India as a follow-up of the special trade agreeement signed between the two countries in September this year which provides a trade of Rs 7.5 crores each way during the six-month period after signing the agreement. Under the agreement, Burma is to buy from India Rs 6.2 crores worth of cotton textile and yarn, Rs 30 lakhs worth of pharmaceuticals, Rs 50 lakhs worth of chemicals and Rs 50 lakhs worth of engineering goods. India is to buy from Burma Rs 4 crores worth of rice, rice products, pulses and beans, Rs 1 crore worth of minerals and ores, Rs 50 lakh worth of hides and skins and Rs 10 lakhs worth of animal feed.

Indo-GDR Joint Commission

The union cabinet approved recently the setting up of a joint commission with the German Democratic Republic with a view to strengthening cooperation between the two countries in economic, industrial, scientific and technological fields. India has already entered into similar arrangement with other countries both from the east and the west. The latest one such agreement was with the US.

Oil Prices Reduced

Three of the Persian Gulf's six main oil-producing states agreed recently to a reduction in oil prices. As a goodwill gesture toward the United States and the industrialised world, Saudi Arabia, Abu Dhabi and Qatar voted to lower oil prices by about 3.5 per cent. At the same time they increased taxes and royalties paid to them by foreign oil companies operating in the Persian Gulf. This means no change in the cost of oil by the time it reaches an average consumer. Iran, Iraq and Kuwait voted against the Saudi proposal saying the price issue should be deferred to a meeting of the 13 nation Organisation of Petroleum Exporting Countries (OPEC) on December 12, 1974.

French Move on Oil

France has offered to consider any suggestion that India may make for the proposed oil conference to stop escalation of oil prices. This was conveyed to the Prime Minister, Mrs Indira Gandhi, by the French president's special emissary, Mr Maurice Schumann, who called on her recently. Mr Schumann also met the union minister for Petroleum and Chemicals Mr K. D. Malaviya. Under the French proposal only about 12 countries, including India, are to be invited for the conference of oil-producers and consumers to find a way to prevent the possibility of any confrontation on the issue of oil. These invitees include only four of the 13-member Organisation of Petroleum Exporting Countries (OPEC) namely, Saudi Arabia, Venezuela, Algeria and Iran. Mr Schumann stated that the selection of the countries had not been made by France. The list was set up last year by the Saudi Arabian minister for Oil, Mr Yamani.

Climate for the US Investment

Mr David Rockefeller,
President of Chase Manhatta
Bank, on a fact finding visit t
India, had meetings here wit
the Prime Minister, Mrs Indir
Gandhi and the Finance mini
ter, Mr C. Subramaniam. M
Rockefeller told newsmen b
fore his departure that h
discussions covered the que
tion of his bank having
direct presence in India as we
as the possibilities of fres
American investments in th
country. Mr Rockefeller adde
that he noticed positive sig
of a better atmosphere f
Indo-American economic c
operation and hoped th
opportunities for investment
fields where foreign capit
was needed would be impro
ing. There was perhaps son
increased recognition that a
ditional foreign capital, if
came on terms that were a
ceptable to India, would
desirable from India's point
view, he stated.

Fertilisers from Polan

This country will be imp
rting diammonium phospha
on rupee-payment basis fr
Poland. Hitherto, all the
quirements for this fertilis
were being met from hard c
rency areas, including
United States. According t
contract signed recently by
Minerals and Metals Trad
Corporation with a Pol
agency, 30,000 tonnes di
monia phosphate would
imported between Novem
and January.

Cotton Corporation

Cotton Corporation
India has decided to purch
8,000 bales of cotton from
open markets of Punjab
Haryana, it was offici
revealed recently.

Names in the News

Mr Bimal Ghosh who
been apponted Director of
International Labour Organ
tion's area office in
Delhi, replacing Mr A
Granger of the United K
dom, took up his assignn
early this month. The I
area office in New Dell
responsible for the orga
tion's activities in Bhu
India, Nepal, Sri Lanka
the Maldive Islands.

COMPANY AFFAIRS

ullness Persists

ULL CONDITIONS continued prevail in the stock market t week. Even the moorat ding session lacked lustre. fact the mood seemed to one of despondency as, spite reports of creeping instrial recession, there were indications yet of the vernment relenting from its und on dividend curbs. uities having thus lost lustre ving to the unremunerative turn on risk capital, investrs, both individual and institional, were inclined to vert their investible funds ore to profitable channels. e grim economic conditions d lack of any relaxation in e credit squeeze too disheartned operators. As a result siness was at a low ebb durg the week.

Equities continued to sag l-round in Dalal Street last eek due to lack of fresh inntives. Even the special oorat session was just a ual and was the smallest r any moorat session since ng. The closing levels show- substantial losses, both in e forward and cash sections. e undertone at the end was eak.

There was further decline equities in Lyons Range st week as operators were no mood to enter into esh commitments. The turnver, therefore, was thin, ansactions being confined to lect scrips. Rallies were mporary as there was no llow-up support. Caution ntinued to be the keynote trading. Consequently acvity declined and prices oved in a narrow range. The dertone at the close was sitant. It was again select rips that attracted operators' tention during a week of oderate trading on the Madras Stock Exchange. The trend, in general, was of a irregular nature.

Indian Rayon

Indian Rayon Corporation has reported all-round improvement in its working results during the year ended June 30, 1974 with production, sales, profitability and margins registering handsome gains over the previous year's performance. As against a rise of about 11 per cent in production of rayon yarn from 3669 tonnes to 4092 tonnes and a 60 per cent increase in turnover from Rs. 7.28 crores to Rs 11.62 crores, gross profit recorded a spectacular rise to Rs 4.92 crores from Rs 1.55 crores in 1972-73. Out of the gross profit, a sum of Rs 48.01 lakhs was provided for depreciation reserve for the current year and Rs 25 lakhs towards development rebate reserve. The balance of profit of Rs 418.71 lakhs along with the development rebate reserve written back amounting to Rs 60.78 lakhs has been appropriated for writing off depreciation relating to earlier years of Rs 206.12 lakhs and transfer of Rs 273.35 lakhs to general reserve. The tax liability estimated at Rs 163 lakhs will be paid out of the general reserve when assessed.

The improved working results are attributed to an increase in production of rayon yarn, sulphuric acid and carbon dioxide efficient utilisation of raw materials and of the plant capacity and better selling prices. The installed capacity of the plant has been increased 3650 tonnes to 4140 tonnes during the year. The company has also received a letter of intent for manufacturing 17,800 tonnes of rayon grade caustic soda. The encouraging working results have enabled the directors to clear arrears of preference dividends up to the end of June 1967 amounting to Rs 43.39 lakhs. The directors would have recommended a still larger payment of arrears of dividends but for the legislation restricting dividends.

Enfield India

Enfield India Limited has been successful in achieving a further increase in production and sales in the first six months of 1974 inspite of serious power shortage and difficulties relating to supplies of raw materials and components. The company has also started deriving benefit from the newly constructed factory at Anaikaraipatti in a notified industrially backward area in Tamil Nadu. There has also been no difficulty in marketing a higher level of output inspite of the sharp rise in prices for petroleum products. Only in respect of agro-industrial engines, there was a slightly reduced offtake in the internal market due to the acute shortage of kerosene. Even here, export sales have been stepped up significantly. It is expected that the demand for agro-industrial engines will improve with easier availability of kerosene for agricultural operations while knapsack sprayers will be needed in large numbers during the rabi season when bigger crops are likely to be harvested.

The output of motorcycles in the half year under reference was higher at 7312 units against 5500 units in the corresponding period in 1973 and 13,320 units for twelve months ended December 31, 1973. The production of agro-industrial engines too was maintained at the satisfactory level of 20,069 units against 21,553 units, the drop being mainly on account of knapsack sprayers which were in less keen demand due to severe drought conditions in many parts of the country. Even so, the value of sales of engines was higher at Rs 146 lakhs against Rs 134 lakhs as a result of better realisation on bigger capacity engines. The turnover in vechicles was substantially better at Rs 379 lakhs against Rs 269 lakhs because of sizable deliveries to the government departments in earlier months. In 1973, the turnover was Rs 302 lakhs and Rs 648 lakhs relating to agro-engines and vehicles respectively.

With a higher level of output at the Anaikaraipatti factory in recent months, brisk marketing of available vehicles and agro-engines and the advantage accruing out of the revision in selling prices for different products in May this year, it can be safely anticipated that the turnover for the whole of 1974 will exceed Rs 11.50 crores as compared to Rs 9.66 crores in 1973. The contribution of the new factory will easily be of the order of one crore of rupees.

Kothari (Madras)

Kothari (Madras) Limited has reported extremely gratifying results for the year ended June 30, 1974 with a jump in sales to Rs 18.62 crores from Rs 11.65 crores in the previous ten months. The net profit before depreciation and taxation has more than quadrupled to Rs331,39 lakhs from Rs 76.84 lakhs in the previous year. After taking credit for provisions no longer required and making other adjustments, the amount set aside for depreciation is Rs 41.84 lakhs (Rs 37.75 lakhs) and development rebate Rs. 10.73 lakhs (Rs 4.49 lakhs). The provision for taxation is quite sizable at Rs 150 lakhs (Rs 15 lakhs) while there is an additional allocation of Rs 45 lakhs (nil) to taxation reserve.

The company is making a claim in respect of accrued liability towards gratuity and it is expected that the net tax liability will be much lower than what would have been normally. The transfer to general reserve is Rs 79.90 lakhs (Rs 14.43 lakhs). Due to the curbs imposed by the Government the dividend on equity capital could be maintained only at 12 per cent taxable. The amount of Rs 28.39 lakhs required for the payment of equity and preference dividends will be met out of general reserve. There was a larger output of tea while the textile units increased their production. There were also export sales for of Rs 76.40 lakhs against Rs 43.93 lakhs. The Caustic Soda project is to be implemented at a cost of Rs 15 crores and the financial institutions have been approached for necessary assistance.

Tata Chemicals

Tata Chemicals Ltd. has reported excellent working results during the year ended June 1974, with sales, production and profits outstripping the previous year's performance by considerable margins. Despite a larger disposable surplus the directors have been able to recommend only 12 per cent dividend for 1973-74, the maximum permissible under the dividend ordinance as against 19 per cent declared for 1972-73. The new equity shares will be entitled to a pro-rata dividend of 60 paise per share of Rs 5 paid up. Moreover the shareholders have been rewarded with a one for two bonus issue which will be made by capitalising a sum of Rs 51.88 lakhs from the share premium account and Rs 2.59 crores from the general reserve. The new shares will rank pari passu for dividend with the existing ordinary shares from the commencement of the current financial year.

During the year sales spurted from Rs 18.37 crores to Rs 23.33 crores while gross profit shot up to Rs 5.82 crores from Rs 4.37 crores in 1972-73. Out of the gross profit, the directors have appropriated Rs 159.65 lakhs to depreciation reserve, Rs 68 lakhs to development rebate reserve and Rs 127.60 lakhs to taxation reserve as against Rs. 127.98 lakhs, Rs 77 lakhs and Rs 73.50 lakhs provided respectively in 1972-73. This leaves a substantially higher net profit of Rs226.46 lakhs as compared to Rs 158.11 lakhs in the preceding year. The equity dividends will absorb Rs 68.49 lakhs as against Rs 98.58 lakhs in the preceding year while preference dividends will claim Rs 4.28 lakhs, the same as in 1972-73.

Deccan Sugar

The working results of Deccan Sugar and Abkhari Co. Ltd for the year ended May 31, 1974 show a profit—the highest so far on record—of Rs 170.38 lakhs as against Rs. 53.29 lakhs in the previous year. The higher realisation on sale of sugar, larger quantity of cane crushed and higher sugar recovery at both Pugalur and Samalkot factories contributed to the achievement of these results. The turnover increased from Rs 920.14 lakhs in the previous year to Rs 1,094.21 lakhs. After providing for all expenses and charges, the net trading profit amounted to Rs 170.38 lakhs including excise duty rebate of Rs 33.08 lakhs earned during the year, as compared with Rs 53.29 lakhs in the previous year including an excise duty rebate of Rs 25.44 lakhs. The net profit, subject to taxation, is Rs 153.91 lakhs as compared to Rs 37.38 lakhs in the previous year. The total provision for taxation is of the order of Rs 123.88 lakhs and the profit after taxation is Rs 30.03 lakhs as against Rs 14.28 lakhs in the earlier year.

A provision of Rs 18.30 lakhs has been made on account of company's liability to retirement gratuity in accordance with the provisions of the Payment of Gratuity Act, 1972. Against an overall liability of Rs 32.35 lakhs towards gratuity evaluated as on May 31, 1974, a total provision for Rs 26.66 lakhs has so far been made, leaving a balance of Rs 5.69 lakhs to be provided in the following year or years. Of the available profit of Rs 30.13 lakhs including the surplus of Rs 9,644 brought forward from last year, the statutory transfer to development rebate reserve and the dividend on the preference shares capital absorb Rs 5.65 lakhs and Rs 0.64 lakh respectively leaving a balance of Rs 23.84 lakhs for further appropriation towards dividend on equity and plough back to reserves.

Based on the results under review and in compliance with the restrictions imposed by the dividend ordinance the directors have proposed a first and final dividend of 12 per cent on the ordinary share capital absorbing Rs 8.37 lakhs. Of the balance of Rs 15.47 lakhs, a sum of Rs 12.90 lakhs was transferred to general reserve, leaving a surplus of Rs 2.57 lakhs to be carried forward to the next year.

HMT

The bold expansion in investment, employment and output has been the hallmark of Hindustan Machine Tools since its inception. Starting with a meagre production of Rs 42 lakhs in 1956-57, within just 18 years HMT is producing machine tools and other sophisticated engineering products at the rate of Rs 65 crores per annum. It has plans on hand which will ensure continuance of the same dynamic growth in the coming years. Suffice to say that when all these plans of expansion and diversification are completed the sales of the company would rise sharply from Rs 43 crores in 1973-74 to around Rs 100 each per annum within the next three years, the share of machine tools to total sales would be about 45 per cent while tractors would be contributing 32 per cent, watches 13 per cent, printing machinery five per cent and other new items such as horological machinery, lamp making machinery as also the engineering and technical consultancy services for the remaining five per cent. The diversification would help the company not only in providing a cushion against the impact of any recurrence of recession but putting into effective use the excellent skills of its techn
personnel.

True to its dynami
HMT is also making a ba
shift in its market str
egy. So far it has relied
domestic market and now
its reliance will be on sa
overseas. From a mod
figure running into few la
of rupees up to 1969-70, H
exports crossed the Rs o
crore mark in 1970-71
was more than doubled
year. Within the next
years the exports are expec
to leap to 10 to 12 crores
rupees.

As HMT has grown fro
single-product and single-
tory organisation into a mu
product and multi-factory
ganisation, the simple orga
sational form which was fou
suitable in earlier years
no longer adequate. Henc
radical reorganisation plan
the internal structure
drawn up and was put i
operation from August 1,
year, the principal objecti
of decentralisation being
enable each production uni
function autonomously wi
an approved policy framew
and in accordance with
approved budgets.

It is a tribute to the sou
financial management of
company that despite crit
shortages of raw materi
frequent and severe po
cuts and other adverse fac
the company was able to c
the year with a fairly satis
tory performance. Sales sp
ed to Rs 43 crores in 1973-
registering a rise of as m
as Rs 8 crores or 22 per c
over 1972-73. The two sig
cant features about the ha
some increase in sales in 19
74 are that the improvem
in the company's sales at
per cent was distinctly hig
than that of the engineer
industry in the private secto
14 per cent and that the mod
increase in the prices of
company's products contri
ted only about eight per c
increase in the value of
sales, while the remaining
per cent rise being due to
crease in the physical volu
of sales. After providing
all expenses including deprec

ion and interest charges, net profit of the company rose wo-and-a-half times to Rs 1.96 crores from Rs 0.78 rore in 1972-73. Thus for the ourth year in succession the ompany has reported record profits. It is noteworthy that barring the three years 1967-68 o 1969-70 of general recession n the engineering industry, he company has to its credit n unbroken record of net profit right since 1956-57.

News and Notes

Shree Vallabh Glass Works has received a letter of intent or setting up a most modern sheet glass plant, near Boiser, (Maharashtra). The company will be able to manufac- ure sheet glass of 0.8mm to 5mm thickness with foreign echnical collaboration and he thinner sheet glass will be used for micro-slides. The total capital outlay will be around Rs 8 crores and it is expected that turnover and profitability f the company will increase substantially. The new plant will be export-oriented.

The Tata Oil Mills Company Limited have launched, n Bombay, the much-awaited anta soap under the brand name JANTATA. The company plans to market this new bath soap all over the country n the near future. TOMCO has priced its 100-gram bath soap at 95 paise plus local taxes. In introducing JANTATA, the company has broken new ground. The soap is made entirely from non-edible vegetable oils. The foreign exchange outgo is irtually zero. It may be recalled that, following price decontrol, TOMCO held the rices of all their products—xcept Hamam and 501 Bar soap—unchanged. Even while revising the prices of Hamam nd 501 Bar, the Company has, as a matter of deliberate corporate policy not to add to he inflationary pressures in he country, held the prices f these popular products at evels significantly lower than ompetitors' prices for comparable products.

New Issues

The public issue of Rs 40 khs equity shares of **Indian Resort Hotels Company Limited** has been oversubscribed and the subscription list was closed on November 7, 1974.

Fort William Company Limited is offering to the public for subscription 150,000 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on November 20. It will close on November 30, or earlier but not before November 23, 1974. An amount of Rs 10 per share is payable in full on application. Applications for shares must be for a minimum of 50 shares or multiples thereof. The entire ordinary shares of the present issue will rank pari passu in all respect with the existing ordinary shares of the company except regarding any dividend payable on the ordinary shares for the year ending March 31, 1975. In respect of that financial year the new ordinary shares will rank for dividend at the same rate per annum as payable on the existing ordinary shares but apportioned for the period January, 1 1975 to March 31, 1975.

The company has a proposal for effecting substantial expansion for manufacture of certain special and sophisticated types of wires. The proposed expansion is expected to be completed by the end of the current financial year. The capital outlay required for implementing this expansion is estimated at Rs 1.40 crores. The proceeds of the present issue will be utilised for providing a part of the finance required for the implementation of this scheme.

Capital and Bonus issues

Consent has been granted to nine companies to raise capital of over Rs. 13 crores. Following are the details:

Union Carbide India Ltd., Calcutta have been accorded consent, valid for three months to capitalise Rs. 614,25,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus shares for every two equity shares held.

Tyresoles Concessionaries PVT Ltd., Bombay have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 4,00,000.

Trichy Distilleries & Chemicals Ltd., Madras have been accorded consent, valid for three months, to capitalise Rs 15,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each, as bonus shares in the ratio of one bonus share for every one equity share held.

Hindustan Lever Ltd., Bombay have been accorded consent, valid for three months for the issue of bonus shares worth Rs 240,75,650 to be issued to the existing equity shareholders in the ratio of one bonus share for every six fully paid equity shares held.

Gujarat Steel Tubes Ltd., Ahmedabad have been granted consent, valid for three months for the issue of bonus shares worth Rs 60,00,000 to be issued to the existing equity shareholders in the ratio of one bonus share for every two existing equity shares held.

Vardhman SPG. & General Mills Ltd., have been accorded consent, valid for three months to capitalise Rs 69,88,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

Attic Industries Ltd, Disst Bulsar, Gujarat have been granted consent, valid for three months, for the issue of bonus shares worth Rs 116,00,000.

Renusagar Power Co., Ltd, have been accorded consent, valid for 12 months, for the issue of preference capital of Rs 125,00,000 in 11 per cent comulative redeemable preference Shares of Rs 100 each, to be issued for cash at par to the public through a prospectus.

Rohtas Industries Ltd, Calcutta have been accorded consent, valid for 12 months for the issue of 10.5 per cent debentures of the value of Rs 90,00,000 to be issued at par to the holders of the existing debentures of Rs 90,00,000 due for redemption on October 31, 1974. The debentures will be payable to registered shareholders only.

Dividends

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Marsden Spg.	Dec. 31, 1973	15.0	10.0
Pullangode Rubber	March 31, 1974	12.0	10.0
Same Dividend			
Alembic Glass Industries	Dec. 31, 1973	12.0	12.0
Elphinstone Spg.	Dec. 31, 1973	Nil	Nil
IDL Chemicals	June 30, 1974	10.0	10.0
Orissa Textile Mills	March 31, 1974	Nil	Nil
R. J. Shah & Co	June 30, 1974	Nil	Nil
Reduced Dividend			
Dawn Mills	March 31, 1974	12.0	14.0
Fort Gloster Industries	March 31, 1974	Nil	Nil
Kusum Products	March 31, 1974	12.0	30.0
Jeypore Sugar	June 30, 1974	12.0	20.0
Indian Hume Pipe	June 30, 1974	8.0	12.0
Khodiyar Pottery Works	July 31, 1974	9.0	10.0
John Fowler	Dec. 31, 1973	12.0	15.0
Ballarpur Paper and Strowboard Mills	June 30, 1974	12.0	15.0

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MSPL-2

Industrial licensing

RECORD number of 4647 applications have been received during 1974 (January — August) as against 3280 appli- ions during the whole of 1973, and 2995 application have been disposed of by August 31, 1974. The fol- ving statements give statewise and industrywise analysis of the letters of intent and industrial licences issued during half-year January—June, 1974. Comparative figures for the earlier years from 1970 have also been given.

mber of Industrial Licences Issued: 1970 to 1974 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
dhra Pradesh	14	39	28	29	27
sam	1	5	12	4	8
har	22	24	18	9	13
andigarh	—	—	—	—	1
lhi	3	12	13	13	6
dra & Nagar Haveli	—	—	—	—	1
a, Daman & Diu	—	—	2	4	3
jarat	37	67	61	75	47
ryana	—	1	—	2	—
machal Pradesh	27	33	38	27	26
mmu & Kashmir	—	2	—	1	1
rnataka	17	22	42	46	25
rala	10	7	12	10	6
dhya Pradesh	2	20	12	11	21
harahstra	106	168	138	171	131
nipur	—	—	—	1	—
ghalaya	—	—	1	—	2
galand	—	—	1	—	—
ndicherry	—	1	—	1	2
njab	11	15	16	15	17
issa	4	8	3	1	5
jasthan	7	16	18	8	21
mil Nadu	35	52	35	63	47
pura	—	—	2	—	—
ar Pradesh	26	48	53	60	66
st Bengal	41	84	54	41	50
te not Indicated	—	3	4	4	—
Total	363	625	563	596	526

Number of Letters of Intent Issued: 1970 to 1974 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	30	52	43	32	40
Andaman & Nicobar	—	—	—	1	—
Assam	3	9	8	5	8
Bihar	11	15	13	22	21
Chandigarh	—	2	4	—	2
Dadra & Nagar Haveli	—	—	—	—	1
Delhi	8	30	21	28	7
Goa, Daman & Diu	1	4	7	5	5
Gujarat	45	104	95	98	74
Haryana	48	121	73	60	46
Himachal Pradesh	1	4	2	3	9
Jammu & Kashmir	1	7	2	3	4
Karnataka	34	48	53	56	44
Kerala	15	25	19	21	19
Madhya Pradesh	9	31	28	26	22
Maharashtra	114	244	197	240	166
Manipur	—	1	—	—	—
Meghalaya	—	1	1	1	3
Nagaland	—	—	1	1	—
Orissa	6	12	3	8	11
Pondicherry	3	—	1	2	2
Punjab	9	19	11	17	19
Rajasthan	8	31	23	21	27
Tamil Nadu	25	65	51	75	47
Tripura	—	—	—	1	1
Uttar Pradesh	29	100	119	83	64
West Bengal	17	58	47	62	49
State not indicated	21	32	54	28	6
Total	438	1015	877	899	697

Number of Letters of Intent Issued : 1970-74 (Industrywise)

Scheduled industry	1970	1971	1972	1973	1974 (Jan-June)
Metallurgical industries	18	87	95	79	72
Fuels	1	2	—	2	1
Boilers & steam generating plants	—	4	—	1	—
Prime movers (other than electrical generators)	1	2	1	3	1
Electrical equipment	141	96	101	98	109
Telecommunications	4	14	37	45	5
Transportation	41	219	87	63	49
Industrial machinery	28	67	74	84	38
Machine tools	12	22	21	34	8
Agricultural machinery	12	19	5	3	2
Earthmoving machinery	—	3	3	5	—
Miscellaneous, mechanical & engineering industry	9	37	43	16	28
Commercial, office & household equipment	11	13	21	14	4
Medical & surgical appliances	1	5	1	1	1
Industrial instruments	1	7	6	6	2
Scientific instruments	1	4	3	1	2
Mathematical, surveying & drawing instruments	4	—	2	—	—
Fertilizers	2	1	—	2	5
Chemicals (other than fertilizers)	60	178	185	182	105
Photographic raw film & paper	—	—	—	—	—
Dyestuffs	1	5	2	3	7
Drugs & pharmaceuticals	22	25	26	43	47
Textiles (including those dyed, printed or otherwise processed)	5	11	14	57	36
Paper & pulp including paper products	6	46	30	23	41
Sugar	5	18	7	13	—
Fermentation industries	2	2	1	4	2
Food processing industries	20	38	37	20	33
Vegetable oils & vanaspati	2	1	—	2	36
Soaps, cosmetics & toilet preparations	—	2	—	3	—
Rubber goods	14	9	21	24	13
Leather, leather goods & pickers	—	7	6	18	19
Glue & gelatin	1	—	3	—	2
Galass	7	17	13	13	7
Ceramics	—	20	13	6	13
Cement & gypsum products	1	19	11	21	6
Timber products	—	4	5	9	3
Defence industries	—	—	1	—	—
Miscellaneous industries	5	11	2	1	—
Total	438	1015	877	899	697

Number of Industrial Licences Issued : 1970-74 (Industrywise

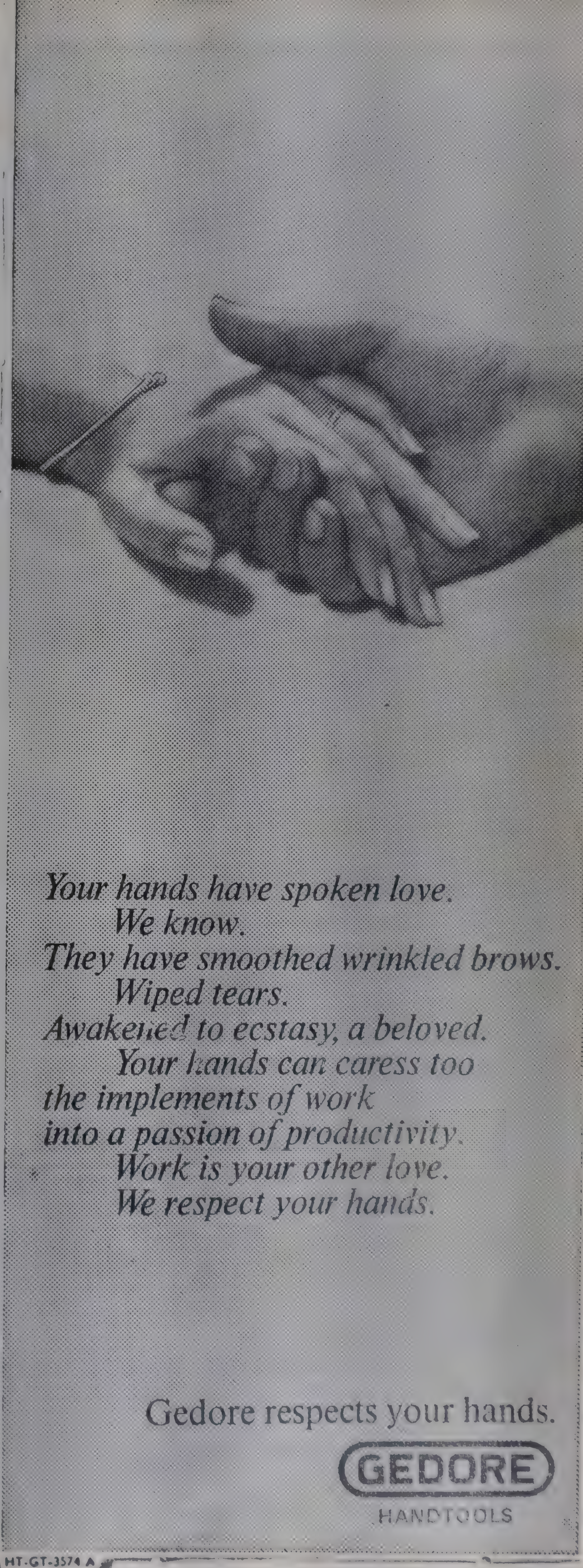
Scheduled industry	1970	1971	1972	1973	19 (Ja Ju
Metallurgical industries	24	61	62	68	1
Fuels	25	12	11	7	
Boilers and steam generating plants	1	1	—	1	
Prime movers (other than electrical generators)	2	3	3	1	
Electrical equipment	28	50	65	60	
Telecommunications	5	17	15	18	
Transportation	9	40	43	34	
Industrial machinery	22	62	41	40	
Machine tools	6	11	12	16	
Agricultural machinery	4	4	12	1	
Earthmoving machinery	2	3	2	5	
Miscellaneous mechanical & engineering industry	5	12	17	21	
Commercial office & household equipment	2	11	6	9	
Medical and surgical appliances	—	2	1	4	
Industrial instruments	—	5	1	2	
Scientific instruments	—	6	1	1	
Mathematical, surveying & drawing instruments	—	—	—	—	
Fertilizers	1	10	6	2	
Chemicals (other than fertilizers)	28	75	64	59	
Photographic raw films & paper	1	—	—	1	
Dyestuffs	5	4	5	1	
Drugs & pharmaceuticals	23	31	29	35	
Textile (including those dyed, printed or otherwise processed)	22	23	21	97	
Paper & pulp including paper products	22	40	31	9	
Sugar	35	5	16	27	
Fermentation industries	2	3	3	3	
Food processing industries	20	12	63	24	
Vegetable oils & vanaspati	38	58	5	7	
Soaps, cosmetics & toilet preparations	—	1	1	—	
Rubber goods	4	3	9	5	
Leather, leather goods & pickers	20	13	4	21	
Glue & gelatin	—	—	—	—	
Glass	3	6	4	5	
Ceramics	—	11	1	5	
Cement & gypsum products	2	28	2	6	
Timber products	—	1	5	1	
Defence industries	—	1	—	—	
Misc. industries	2	—	2	—	
Total	363	625	563	596	

Number of Letters of Intent Issued to Backward Areas: 1970-74 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
ndhra Pradesh	3	9	5	7	11
ndaman & Nicobar	—	—	1	1	—
ssam	2	3	5	1	1
ihar	2	5	1	—	5
adra & Nagar Haveli	—	—	—	—	1
oa, Daman & Diu	1	4	7	5	5
ujarat	4	8	6	5	10
aryana	—	5	7	1	9
imachal Pradesh	—	—	1	—	2
ammu & Kashmir	—	5	2	3	4
arnataka	6	13	6	6	11
erala	7	9	8	5	5
adhya Pradesh	2	4	9	14	10
aharashtra	2	8	10	21	10
anipur	—	1	—	—	—
eghalaya	—	—	—	1	3
agaland	—	—	1	1	—
rissa	—	2	1	2	5
ondicherry	3	—	1	2	2
unjab	1	—	—	3	7
ajasthan	3	6	3	8	13
amil Nadu	2	4	2	9	15
ripura	—	—	—	1	1
ttar Pradesh	2	7	23	20	20
est Bengal	2	5	8	10	11
tate not indicated	—	—	1	1	—
Total	42	98	108	127	161

Number of Industrial Licences Issued to Backward Areas: 1970-74 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
ndhra Pradesh	1	5	2	2	13
ssam	1	4	6	3	3
ihar	6	4	3	2	—
adra & Nagar Haveli	—	—	—	—	1
oa, Daman & Diu	—	—	2	4	3
ujarat	3	4	9	10	15
aryana	2	1	3	2	4
ammu & Kashmir	—	1	—	1	1
arnataka	4	6	7	11	9
erala	—	—	2	4	1
adhya Pradesh	—	9	2	2	15
aharashtra	15	6	13	6	16
anipur	—	—	—	1	—
aghalaya	—	—	—	1	2
rissa	1	1	1	—	3
ondicherry	—	—	—	1	2
unjab	2	—	—	5	4
ajasthan	2	7	2	1	10
amil Nadu	13	12	6	18	17
ripura	—	—	2	—	—
ttar Pradesh	1	4	8	20	23
est Bengal	8	12	15	9	20
Total	59	76	83	103	162



Your hands have spoken love.
We know.
They have smoothed wrinkled brows.
Wiped tears.
Awakened to ecstasy, a beloved.
Your hands can caress too
the implements of work
into a passion of productivity.
Work is your other love.
We respect your hands.
Gedore respects your hands.
GEDORE
HANDTOOLS
HT-GT-3574 A

Letters of Intent Issued to State Industrial Development Corporations: 1970-74

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	7	2	2	3	8
Assam	1	4	—	2	4
Bihar	—	1	—	6	8
Gujarat	2	7	3	1	1
Haryana	—	5	4	3	2
Himachal Pradesh	—	—	1	2	2
Jammu & Kashmir	—	3	—	—	—
Karnataka	—	6	1	3	5
Kerala	4	5	7	1	5
Maharashtra	—	—	3	1	4
Maharashtra	—	—	3	1	4
Madhya Pradesh	2	4	2	3	2
Orissa	3	6	1	2	2
Punjab	7	6	2	4	3
Rajasthan	1	5	4	1	—
Tamil Nadu	2	8	7	3	4
Uttar Pradesh	—	5	5	2	9
West Bengal	—	1	2	2	3
Meghalaya	—	—	—	—	3
Total	29	68	44	39	65

Industrial Licences Issued to State Industrial Development Corporations : 1970-1974

State	1970	1971	1972	1973	197 (Jan (Jun
Andhra Pradesh	—	1	—	1	
Assam	—	1	2	—	
Bihar	—	—	—	—	
Gujarat	—	—	1	—	
Haryana	—	1	—	—	
Jammu & Kashmir	—	—	—	—	
Karnataka	—	—	1	—	
Kerala	—	—	2	—	
Maharashtra	—	—	—	1	
Orissa	—	1	—	—	
Punjab	1	2	2	2	
Rajasthan	—	—	—	—	
Tamil Nadu	—	2	—	—	
West Bengal	—	—	—	—	
Total	1	8	8	4	

Statewise and Typewise Break-up of Number of Industrial Licences Issued to Cooperative Sector in 1973 and 1974

(A:1973; B: 1974 (Jan.-Jun

State	NU		SE		NA		COB		Total
	A	B	A	B	A	B	A	B	A
Andhra Pradesh	1	11	—	—	—	—	—	—	1
Assam	1	—	—	—	—	—	—	—	1
Gujarat	5	9	3	1	1	—	—	—	9
Karnataka	—	2	2	1		—	—	—	2
Haryana	—	1	1	—	—	—	—	—	1
Kerala	—	—	—	—	—	1	—	—	—
Maharashtra	5	10	7	1	—	—	1	—	13
Pondicherry	—	1	—	—	—	—	—	—	—
Punjab	2	—	—	—	—	—	—	—	2
Orissa	—	1	—	—	—	—	—	—	—
Tamil Nadu	1	—	—	1	—	—	—	—	1
Uttar Prs;ssh	1	13	—	—	—	—	—	—	1
Total	16	48	13	4	1	1	1	—	31

NU: New Undertaking; SE: Substantial Expansion; NA: New Article: COB: Carry on Business.

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Narora and Narayan

NARORA, FOR ALL its secrecy, is really simple to read. For the first time since she split the Congress organization and became supreme in the ruling party, Mrs Indira Gandhi has been hit where it hurts. In rd political terms her authority rests on the grip she has and can continue to exercise er her party machine and her partymen in the Lok Sabha who, through their accep- nce of or subservience to her political will and wishes, make it possible for her to ercise iron control over the government. It is no doubt true that her total domination her party is a function of her mass appeal and her overwhelming influence with the ectorate. It is true again that, once her public status diminishes, her control over her rty machine and her partymen may also be loosened. But it could also be true at e same time that, if for any reason it so happens that it is the allegiance of her party at cracks first, she may have to fear for her domination of the government even before er mass base has begun to shrink to any substantial extent. There is no evidence et that Mr Jayaprakash Narayan's movement—for it is no less now—has already egun to erode her wider support in the country, but there is every reason for her to spect that it is beginning to tamper with the allegiance of her direct and immediate llowers who constitute her party or its majority in parliament. Narora is primarily n attempt on her part to gauge how far the rot has gone and how serious it could rther become.

Mr D. K. Barooah is an unhappy Congress president at an unhappy hour for the rty. What peace of mind he may have can come only from his putting a bold face n things. But even he cannot deny that his party has lost much more than its savour n the palates of the people of Bihar. There is however still no evidence that Mrs andhi's preeminent national position as the country's most compelling mass politi- an has suffered seriously even in that state. There is even less evidence that it has ndergone any substantial or permanent deterioration anywhere in the rest of the ountry. Nevertheless, her own partymen seem to have begun to wriggle and writhe. ore and more of them have started wondering whether she is the best prime minister eir party can have. Less and less of them are easy in their minds about letting all eir political eggs lie in the basket at No. 1, Safdarjung Road. Despite Mr Chandra hekhar's boast of his political courage there is enough evidence in his career of his ing a careful and calculating strategist. Such baiting as he had done in the past had ways been of prey about to be hunted down by more powerful hounds. He is yet run with the hare. When therefore Mr Chandra Shekhar comes out openly with e proposition that his party would refuse to do business with Mr Jayaprakash arayan only at its peril and succeeds in selling this view to a respectable number of s fellows in the Congress party, it is a sure enough sign that the time has come for rs Gandhi to attend to her political fences on her own backyard. Narora clearly s to be seen in this context.

It may be that many more Naroras will be needed before Mrs Gandhi could figure t a complete strategy for herself and her party. However, the moves that may be en to her are already more than faintly discernible. First, she could make up her ind firmly and finally to employ all the police powers of the state to crush Mr Jaya- akash Narayan's campaign in Bihar on the ground that the call for a parallel assembly government is a challenge to lawfully constituted authority which no government n tolerate. Or, she could dissolve the Bihar assembly and also the Lok Sabha after e present session of parliament. A general election could then be held early next year multaneously for the Lok Sabha and the assemblies in Bihar, Gujarat and Pondi- erry in a bid by the prime minister to demonstrate that her party and she herself ontinue to command the support of the electorate. Or, again, she may bring herself conceding that her absolute authority over her party or in the government is no equate answer to the political situation in the country and that she should therefore down with Mr Jayaprakash Narayan and other political personalities or forces which may be significant in or relevant to the current political context and explore ways and means of bringing about a national consensus for administering the country and dealing with its political, economic and social problems. We have put down these options in this order not in terms of ranking them according to their respective degrees of desirability but only on the basis of what we believe may be the prime minister's own order of preferences.

To take the "law and order" solution, while it is true that the Bihar government has been taking repressive measures against Mr Jayaprakash Narayan's campaign, it is plain enough that the prime minister has so far not decreed an all out effort at suppression through the use of the full police power of the state. The very fact that Mr Jayaprakash Narayan has not been taken into custody but, along with his colleagues, has been allowed to move about freely in Bihar and the rest of the country to spread and intensify his movement is evidence of this. In fact, even after his activities have become a grave political challenge to the prime minister and her party, she has not reached the point of dealing with him as a law-breaker *per se*. This implies in theory at least that the government still has the choice to draw upon the leonine authority and power of the state to put down any attempt to question or reject its legality. It is of course no secret that there are indeed hawks around the prime minister who have been giving her precisely this advice, viz, that she should not depend indefinitely on half-hearted police methods for dealing with the agitation in Bihar. Given Mrs Gandhi's personal conviction in the self-righteousness of her authority and rule there can be no guarantee that she will always resist this counsel. Whether strong-arm methods, even of Himalayan proportions, would succeed, is however a different question. There was perhaps a time for them, but it may well have passed. Hereafter it could only be a gamble and Mrs Gandhi will only have her gambler's instincts to save her.

As for the second option of a general election on the lines we have indicated earlier, Mrs Gandhi's party has more than an even chance of being returned to power at the centre with a substantial majority in the Lok Sabha, although it may be numerically inferior to the one she commands now. There is an even chance of her party capturing enough seats to form a government in Gujarat and somewhat less than an even chance of its performing likewise in Bihar. It would however be no decisive political tragedy for her or her party even if the opposition is to capture power in Gujarat or Bihar or both. On the contrary it could be a relief, for it will then be the responsibility of her political opponents and critics to provide clean and good administration in those states. If they too were to fail to deliver, she gains. If, however, they succeed the country does, and this could be an inspiration for her party at the centre and in the other states to try and do as well.

We are aware of the fact that there are many in the prime minister's party itself who believe that, because of the deranged political condition and the dismal economic circumstances of the country, the ruling party would be giving hostages to fortune by trying to court the electorate in the immediate future. We are however inclined to think that the risk that would be run by Mrs Gandhi is not so forbidding. What may be in jeopardy may be her so-called mass mandate of the last general election but not the political wherewithal for once again being in effective power at the centre. The loss of the dominant majority she enjoys in the present Lok Sabha would surely be a small pr to pay for the prime minister if, throu an early election, she could demonstr to her political critics and opponents t the people's effective support is still v much with her and her party at national level.

Ideally, of course, the third of options we have mentioned could be b for the country. Jayaprakash Narayan no Jayaprakash Narayan, it is clear e ugh that the prime minister and her pa have miserably failed to provide cl and good government. This point n not be elaborated here if only beca this journal has been saying nothing e during all the period Mrs Gandhi been in supreme power. However, establishment of a national consensus the ruling force behind the governm does not seem to be practical politics the present time. For this, only part of blame could be placed on Mrs Gandh personal greed for total political aut rity in the government and the count The regular opposition parties and p ticians through their own chronic competence and ineffectualness, h shown that the people can justifia doubt their capacity to contribute co tructively to the resolution of the pr lems facing the country.

Unfortunately, the Jayaprakash Nara movement also is clearly not in a positi to reassure us in this respect. It h

Eastern Economist 30 Years Ago

Dec. 1, 1944

While envisaging India's industrial future it is commonly assumed that she is extraordinarily rich in raw materials. Compared to the resources of Britain or Japan in relation to the dimensions of their industrial progress, no doubt our resources are ampler. But if we take a different standard of sufficiency and look for possibilities of building up foreign assets through a surplus of raw material exports the position is not so satisfactory. There are not many raw materials which a rapidly extending Indian economy can spare for exports, with industrialization her deficiencies in many respects will become more pronounced, and the prospect of India paying for her imported cap through her raw materials is not bright. deficiencies are most pronounced in respect minerals.

We have, no doubt, ample supplies of and iron, and also of manganese and ch mium which are the basic needs of an iron steel industry. But, for the present, Indian indu is faced with a scarcity of domestic supplies special steels; and if immediately after the our machine tool or other engineering indust develop fast, we shall have to import considera quantities of this basic material as well.

ertainly already recorded some impresve entries on the assets side of its balanceheet. It has shown, for instance, that rdinary men and women can rise against nisrule and make it impossible for the ulers to carry on business as usual or ndeed function even in a nominal manner. n Indian tradition nurtured in the philoophy of Mahatma Gandhi has every eason to feel proud and happy that it as thus been revived and given a new ease of life in a meaningful manner.)n the debit side, however, is the fact that Ar Jayaprakash Narayan himself is so onsistently rejecting the implications of is leadership of the movement. His aying again and again that he is not after olitical power and that he will be no arty to his movement being the basis or neans of a new political party as an alterative to Mrs Gandhi's has robbed his emand that the prime minister should egotiate with him on a plan for the good overnment of the country not only of redibility but also of the right to be aken seriously. Surely any settlement hat there could be between him and Mrs Gandhi will have to be in a sense a poliical settlement involving a re-structuring f political authority and power at the entre. His insistence on electoral reform, vhile valuable in itself, is no substitute or his refusing to apply his mind or heart o the immediate, practical problem of ringing about a moral and material mprovement in the government as it is unctioning today. If it is his argument, s perhaps it is, that the present scheme f things is beyond mending and is indeed eyond redemption, the country is cerainly not obliged to accept this counsel f despair.

In any case Mr Jayaprakash Narayan imself has yet to come forward with a oherent political, economic and social rogramme. It is possible that once he oes so, his ideas may be found to be not nvulnerable to just criticism. While ction without thought may prove aborive, thinking, which does not evolve into ction, must surely be sterile. Mr Jayarakash Narayan evidently has been doing lot of thinking, but so far this has only ed to the administration being paralyzed n a state where it has always been notoiously weak and wandering. Clearly this is not action enough and he must be reminded of the fact that this much and more has been achieved even earlier in Gujarat where, incidentally, the administration has a history of effective functioning. It is true that Mahatma Gandhi was credited with demanding of the British that they leave even if India were thereby to be left to god and chaos. Given his faith in god, he obviously thought that chaos would be unlikely. Not all of us may share that faith. Mr Jayaprakash Narayan, therefore, has to think again if he is to convince us of the total relevance of himself or his activities to the situation in the land. Mrs Gandhi's rule may be bad enough in all conscience, but chaos could still be worse.

Raw materials for export

THE IMPRESSIVE increase in India's exports, which was of the order of 48 per cent in the first five months of the current financial year as compared to the similar period of 1973-74, may create the impression that our export strategy has been soundly conceived and that our industries are actually vying with one another in maximising the earnings of foreign exchange. But the discussion at the annual meeting of the Calcutta Import and Export Trade Association, held on November 5, revealed that export industries continued to suffer from many severe constraints. It was pointed out that the inducements offered by the government not only made "every export operation extremely complicated and cumbersome" but failed to provide industries with the raw materials at competitive prices. The association emphasised that unless the official policies succeeded in creating the desire as well as the ability to export, the growth would be temporary.

Some of the inducements now available to exporters are cash subsidies, import licences to replenish the imported materials used in the exported products, drawback of import duties and excise duties on the raw materials used in the exported products, imports from preferred sources of supply of balancing equipment and spares against REP licences, and facilities to meet export commitments through supplies to indigenous manufacturers at international prices.

The aim of these incentives is to make exports profitable but Mr M.L. Capoor said in his presidential address at the meeting of the association that they do not help to achieve this objective. He cited a specific instance from the automotive tyre industry to support his statement. Nylon tyre cord accounts for about 1/3 of the material cost of a tyre. The quantity of nylon cord used in a popular size truck tyre is 5½ kg. The CIF price of nylon tyre yarn from the USA is at present Rs 24 per kg. compared to the indigenous price of Rs 76.50 per kg. which is inclusive of an excise duty of Rs 6.50 per kg. As a result, the exporter of nylon truck tyres is at a competitive disadvantage of about Rs 290 per tyre on one raw material alone vis-a-vis his American counterpart. Mr Capoor pointed out that despite the availability of incentives of various types the exports of nylon tyres was unprofitable.

Mr Capoor suggested that when government imposed an export commitment on any industry it must simultaneously ensure the supply of raw materials at competitive prices. The government has often ensured exporters of the supply of certain raw materials at international prices but Mr Capoor did well to point out the absurdity of such a concept. He said that "there is no such thing as an international price of a raw material" and explained that "prices vary from country to country and from time to time and I feel that the concept of an imaginary price, called the 'international price'—to which many references are made—has only clouded thinking on this subject". He made five proposals: REP licences to be issued as a percentage of the total material cost of the exported products instead of as a precentage of the FOB value; the material cost of the exported products which is to be certified by a chartered accountant should include the cost of local and imported materials but to exclude import and countervailing excise duties in the case of the latter; items allowed for imports against REP licences to be specified as now but their imports should be restricted only in exceptional cases; no import/countervailing excise duties to be charged on imports against REP licences, thereby making the imported materials available to exporters at CIF prices; and, all other export incentives such as cash subsidies and duty drawback should be withdrawn.

The financial, administrative, and other implications of these suggestions have to be carefully examined. Their main merit seems to be that they will help to eliminate a great deal of red-tapism and strengthen our export industries by ensuring the supply of raw materials at competitive prices. If the government is unwilling to accept these proposals, it should at least examine in what other ways industries which are subjected to complusory export commitment are enabled to solve their raw materials problem.

Dealing with import trade control, Mr Capoor made some specific suggestions for adjusting policies and procedures to meet the situation arising from global inflation. For instance, at present, importers have to attach, with their application for capital goods, quotations or proforma invoices from suppliers in support of the CIF values applied for. But this practice creates difficulties since the prices usually increase by the time the licences are issued, which necessitate the demand for fresh quotations and enchancement of the licence values. "This vicious circle in the current inflationary situation", said Mr Capoor, "can be resolved only if there is provision in the policy for automatic revaluation up to a specified limit to take care of such price increases".

Two other suggestions made by Mr Capoor related to the procedures for imports against tied credits. At present remittances should be completed within one month in respect of AU tied credits, and within 45 days for IDA credit licences, of expiry of the import licences. But this procedure creates practical difficulties in completing the documentation in cases where shipments are made under bills of lading which are issued around the last date of the validity of the licences. Therefore, the suggestions for extending the last date of remittance to at least 60 days from the date of expiry of the licences seems to be reasonable. The stipulation that orders for the full value of the licences should be placed within four months of the date of issue also creates problems since it is rarely possible to anticipate correctly the requirements of spares and raw materials for 12 months and place orders for the full value within the four months of the date of issue of the licences. The suggestion is made that importers should be asked to place orders for only 50 per cent of value of the licences within the first four months and the balance within the next four months.

The government of India has in recent years effected many improvements in the export policies and procedures. It is claimed that the trade policy is export-oriented with particular emphasis on maximising production for exports and encouraging import substitution. But a great deal has yet to be done in order to facilitate a more vigorous growth in ports and the regulation of imports c realistic basis. India's import bill 1973-74 amounted to Rs 29,164 mill compared to Rs 18,674 million in preceding year. In the current and in coming year also, we shall continue depend heavily on imported materials machinery though their composit may change owing to the progr in implementing the programmes import substitution. Apart from min fuel, lubricants and related materi many other imports required for ind trial development involve substan amounts of foreign exchange, such chemicals and allied products, vegeta oils, iron and steel items, as well as mac nery, spare parts and transport equ ment. It is important therefore that N Delhi should be receptive to all id and suggestions emanating from resp sible organisations of industry and tra so that the country can not only achi a faster rate of growth in exports will also be able to arrange our impo at the most favourable prices.

Pre-empting resources

THE CENTRAL government's borrowing programme for the current financial year is being suitably staggered with a view to preventing unnecessary strain on the money market and helping also the successful issues of loans and bonds by the state governments and public bodies. This is the reason why the second tranche of borrowing of the centre has been delayed and it was only recently announced that new loans for a notified amount of Rs 175 crores would be offered for public subscription on November 22, 1974. The lists were to be closed on November 25, 1974 or earlier if the loans were fully subscribed and the government had, as usual, reserved to it the right to accept subscriptions up to 10 per cent in excess of the notified amount. Actually, the loans were fully subscribed within hours of their opening and the Reserve Bank announced that all subscribers would receive full allotment. It is not surprising that the terms of new loans are more favourable to the lenders as the curre and redemption yields have to be fixed conformity with those available on t basis of the selling and buying rates the Reserve Bank for the existing centr government securities.

The open market operations of t central banking institution are bei carried out on the revised basis after t Bank Rate was raised to nine per c from seven per cent on July 22, 1974. A the three loans carry a higher rate interest and have shorter maturi periods. The issue price has been fix in all cases at par. The current a redemption yields are higher by rough 1½ per cent in respect of the new loa as compared to those issued on Ju 16, 1974. The short-dated loan bears interest rate of 5¼ per cent and matur after four years against the earlier fiv year loan having an interest rate of fi per cent. The issue price of the late loan, however, has been fixed at p against a discount of ½ per cent on t former occasion. The latest mediu dated loan has a duration of 14 years a es an interest rate of six per cent with ssue price at par against a 11 year carrying 5½ per cent interest with price at a discount of ¼ per cent. new long dated loan matures after 23 s and has an interest rate of 6¼ per with the issue price also at par. viously, the long-dated loan had a mption date in 1998, after 24 years, the interest rate at six per cent and issue price at a discount of ½ per cent.

It will therefore be seen that the rowing programme of the centre has n becoming more costly over a period, short-dated loan having a duration seven years and an interest rate of 4¾ cent with the issue price at par. The ng-dated loan matured after 30 years 2003 and had an interest rate of 5¾ r cent and an issue price of Rs 100. e basis of borrowing has therefore risen ½ per cent even with a shorter duraon of 23 years in respect of the long ted loan.

However, while the government may ve the feeling that it is being obliged bear heavier interest charges, it s been complained legitimately in oney market circles that it is still orrowing on a privileged basis, when her classes of borrowers are paying 15-17 r cent even for secured loans. The heduled commercial banks too are none o happy as the cost of deposits has sen following the recent upward revision interest rates. They have also been bliged to maintain a higher liquidity tio of 33 per cent apart from a cash serve ratio of four per cent even after it s reduced by one per cent in December.

It cannot possibly be expected that here will be further dearer borrowing as t is unlikely that the Bank Rate will be aised again. On the contrary, the Reserve Bank may have to beat a slow retreat rom its dearer money policy as higher nterest rates have not had any discouraging effect on borrowing by industry and rade; indeed they could not, and have on the other hand been responsible for an increase in production costs.

It can therefore be said that the latest announcement is in accordance with market expectations, It is felt in money market circles, however, that the timing of the announcement is not quite appropriate though it is difficult to see how fresh borrowing at this stage can be avoided if the target for 1974-75 has to be completed. The Reserve Bank however, could have fixed a notified amount of Rs 125 crores and attempted to raise the balance through tap sales with re-issues of the latest loans. The monetary authorities probably have to take up large parcels on their own account in order to avoid undue pressure on the banking system and effect subsequent sales of these loans to banks and others when additional resources become available. The Reserve Bank, however, has thought it desirable to raise a large chunk now and effect tap sales for comparatively small amounts in the coming months. The logic in this kind of reasoning, however, is not clear.

In July this year subscriptions for three loans aggregated to over Rs 438.35 crores against a notified amount of Rs 400 crores and all subscribers got full allotment because the government exercised its right to accept subscriptions up to 10 per cent in excess of the notified amount. Allowing for the redemption of 3¾ per cent loan 1974 outstanding to the extent of Rs 201.64 crores, the net amount borrowed was Rs 236.71 crores. The budget estimates for 1974-75 assume gross borrowing at Rs 700 crores and net borrowing at Rs 498.36 crores. As the amount mobilised in July was Rs 236.71 crores, the balance of Rs 261.65 crores has to be raised. Assuming that the lists for the latest loans will be over-subscribed and the government succeeds in securing Rs 192 crores, as it is likely, there will be a residual amount of Rs 69.65 crores still to be secured even for reaching the target, not to speak of exceeding it.

The government is obviously keen on exceeding the target even under difficult circumstances as otherwise it would not have attempted to fix a notified amount of Rs 175 crores on the present occasion. The scope for borrowing is being sought to be enlarged by prescribing new norms for the Life Insurance Corporation and provident funds in regard to the disposition of their resources. The scheduled commercial banks also will be investing 33 per cent of fresh additions to deposits in the next four months which may be of the order of Rs 300 crores. It is, therefore, likely that the net borrowing for the whole year will be around Rs 525 crores, mainly due to privileged borrowing regardless of the difficulties of other borrowers even after enabling the state governments and public bodies to mobilise record amounts.

The effect of the latest developments will be to pre-empt the resources that will be released by the reduction in the cash reserve ratio to four per cent from five per cent in two stages during the next month. It may, of course, be argued that there will be no increase in the liquidity ratio as such, as happened earlier this year, when the cash reserve ratio was reduced by two per cent to five per cent and that there will only be an impounding of resourees on a more remunerative basis for a short period. Any bulge in the liquidity ratio temporarily can of course be corrected by fresh deposits accruing with the banks.

The diversion of Rs 192 crores from the organised money market will, however. create greater stringency and the lending institutions will have to be helped with liberal discretionary accommodation. The bankers may of course feel sore that they will be obliged to bear heavier interest charges because the discounting of bills will have to be done at interest rates ranging above 10 per cent where the allotted quotas have been fully utilised by individual banks. Since there will also be an increase in procurement credit with the use of funds owned by banks some method will have to be found by which banks will not be unnecessarily penalised if there is an increase in procurement credit and a slow growth in deposits.

The distortions arising out of large-scale borrowing by the government and fast expansion of procurement credit up to Rs 450 crores when only 50 per cent refinance will be available above Rs 300 crores, will have to be smoothed out and undue increases in short-term rates prevented.

FROM THE CAPITAL' CORRIDOR

R. C. Ummat

Textile Exports • Wheat Procurement Prices • Industrial Policy

ALTHOUGH VALUE-WISE exports of cotton textiles and other piecegoods, including yarn, during the first six months of the current financial year at Rs 134.67 crores were higher by nearly Rs 36 crores than these exports during the corresponding period last year, the exports during the whole of the current year, both value-wise and quantity-wise, are not likely to match last year's performance. Quantity-wise, exports during the nine months to September aggregated to only 349.68 million sq. metres of piecegoods and 7.64 million kgs of yarn, as against 630.98 million sq. metres of piecegood and 11.93 million kgs of yarn in the 12 months of 1973. The total value of piecegoods exports during 1973-74 was Rs 237.82 million. The most disconcerting fact about these exports, however, is that in the recent months, there has been an extensive cancellation of pending contracts and also a considerable recession in further contracting.

radical change

The official sources attribute this phenomenon to the radical change that has taken place in the international prices of cotton goods. It is pointed out that last year's spurt in exports was caused by the extensive damage to the US cotton crop in late 1972, which resulted in the international prices shooting up in 1973. This tilted the situation in our favour and was the primary reason for our being able to export in 1973 630.98 million sq. metres of piecegoods and 11.93 million kgs. of yarn, as against 430.56 million sq. metres of piecegoods and 22.23 million kgs of yarn in 1972. In 1971, we exported cotton piecegoods to the extent of 389.24 million square metres and yarn to the order of 12.40 million kgs. Value-wise, calendar year export figures are not immediately available. But the 1973-74 exports of piecegoods and yarn registered a sharp increase to Rs 237.82 crores from Rs 158.34 crores in 1972-73. In 1971-72, these exports aggregated to Rs 115.14 crores. This year the United States has had a record cotton crop which has caused a significant reduction in the international prices. Currently, the prices of Indian textiles are estimated to be 30 to 40 per cent more than the international prices. The cancellation of the pending orders as well the recession in further contracting has its genesis in this fact.

consumer resistance

Simultaneously, consumer resistance within the country has led to a fall in demand for cotton textiles and the manufacturers have been obliged to reduce their ex-mill rates by anything upto 25 per cent in the recent past. While the government has welcomed decline in the domestic prices, it, indeed, is deeply concerned about the fall in exports. It is understood to have worked out a scheme to step up exports. The scheme has two components. First, it has been decided that a set-off of one square metre in the controlled cloth obligation should be allowed against export of Rs 5 worth of cotton textiles or Rs 7.50 worth of garments. The controlled cloth obligation has been fixed, with effect from October 1, at 30 per cent of the total turnover of mills. The set-off in the controlled cloth obligation for exports is expected to provide an indirect incentive to exporting mills as well as merchant exporters.

The second component of the government's programme to step up cotton goods exports is the import of 100,000 bales of medium staple cotton. The distribution of this cotton is expected to take place shortly through the Cotton Corporation of India. To enable the Indian mills to compete with foreign suppliers in the international market, the union ministry of Commerce is understood to have approached the union ministry of Finance for reduction in the import duty on this type of cotton. proposal to reduce the import duty also been made due to the fact that result of the decline in cotton imp the Indian Cotton Mills Federation had to withdraw, with effect from C ber 1, its cash assistance for expor textiles.

exports to Soviet Union

Since the combined scheme of trolled cloth production and exports not cover handloom, powerloom co textiles and cotton hosiery, ways means are being found out to revive ICMF's cash assistance scheme for moting exports of these items. Eff are also being made to step up exp to the Soviet Union.

Along with the decline in export cotton goods, exports of art silk tex and woollen goods have shown recess ery trends in the recent past, particu since July. The fall in exports of silk textiles since July has nearly er the gains which had been regist during the earlier three months. Du the seven months to October, export art silk textiles aggregated to Rs crores. Exports to the extent of Rs crores had been effected in the months to June. The figures for corresponding periods last year Rs 13.9 crores and Rs 3.5 crores, pectively. In July and August, exports aggregated to only Rs 1.6 cr per month, as against Rs 1.9 cror July last year and Rs 2.6 crores in Au last year. In September this year, exported art silk textiles to the exte only Rs 2.9 crores, as against R crores in this month last year. In C ber, the decline was even more nounced and we could send out art fabrics to earn only Rs 1.8 crore against Rs 2.8 crores in October 197

The decline in exports of art textiles is attributed to three reas (1) stoppage of cash assistance on ports of these fabrics with effect April 1; (ii) high prices of staple spun yarn/nylon yarn till September he absence of a voluntary agreement een spinnners and weavers of vis- filament yarn after December 31 year.

There has been a sharp fall in the pri- of all types of art silk yarn since Octo- The Silk and Rayon Textile Export motion Council has formulated a eme for the creation of a fund on the s of the ICMF's export promotion d for giving assistance for exports of silk fabrics on a selective basis. The eme is understood to be awaiting clear- e by the union ministry of Finance on issue of exemption of this fund from ome-tax.

As regards exports of woollen textiles, nough there has been a slight fall, yet Wool and Woollen Export Promotion uncil feels that the current financial r's target would be achieved.

Meanwhile, the union minister for mmerce, Prof. D.P. Chattopadhyaya, virtually ruled out large-scale pur- ases of cotton by the Cotton Corpora- n of India with a view to stabilising pri- which have shown a marked decline the last two weeks. Prof. Chattopa- yaya maintained in the Rajya Sabha s week that the situation was not so rming as made out by some members the House. He pointed out that the ing prices of cotton were still higher mpared to the prices a few months ago d much above the fair prices suggested the Agricultural Prices Commission. e Cotton Corporation of India, he ad- d, could not go in for large-scale pur- ases owing to the current credit squeeze. e, however, agreed that the role of spe- lators, who gained by price fluctuations, eded to be curbed. Prof. Chattopa- yaya indicated that the government was ying to evolve a formula to narrow the p between the prices at the levels of owers and manufacturers.

* *

In spite of the fact that the minister state for Agriculture, Mr A.P. Shinde, dicated in the Rajya Sabha this week at the increase in input costs, particu- rly on fertiliser count, would be taken to consideration while fixing the pro- urement prices of wheat during the next bi season and efforts would be made to ompensate the farmers to the extent ossible for higher costs, inquiries reveal at the issue is still wide open in view f the imperative of containing the price piral. In an interview over All India adio, the minister for Agriculture and rigation, Mr Jagjivan Ram, prefer- ed not to throw light on his thinking on the subject and remained content with saying that procurement prices had to be fixed taking into consideration both the interests of producers and consumers.

There is no denying the fact that the costs of agricultural inputs have gone up significantly in the recent past, following the stepping up of the prices of naphtha as well as diesel oil, although the price for fertilizer manufacture has been brought down somewhat from the level to which it had been raised following the upswing in the prices of crude oil last year. The irrigation water rates too have been put up in some states. Further, the general inflationery tendencies in the economy have provided a handle to the farm lobby to clamour for higher support as well as procurement prices of foodgrains. Perhaps, a via media can be struck in the form of scaling down excise duty on fertilisers, notwithstanding the fact that there is need to mobilise more resources from the agricultural sector for development programmes. Even though the scaling down of excise duty would entail some loss of revenue to the central exchequer, the relief provided to the agricultural sector in this indirect way should have a salutary effect on farm production as well as on the prices front.

fertiliser demand

Mr Shinde disputed the contention of some members in the Rajya Sabha that there had been a decline in the consumption of fertilisers because of high prices. He admitted that there had been some fall in demand between June and August this year, but he attributed this to such factors as natural calamities, non-availability of adequate credit, changes in the internal distribution system in some states, etc. The increases in the prices of fertilizers, he thought, was not the only factor contributing to the decline in the consumption of fertilisers during the above three months period. The latest reports, he hastened to add, suggested that the demand had revived in most states and the offtake had gone up. The minister of state also revealed that the Reserve Bank of India had agreed to revise its credit policy with a view to helping farmers to buy fertilisers.

Mr Shinde also disputed that there had been large-scale accumulation of stocks with fertilisers factories. He asserted that stocks had gone up only with the three factories at Baroda, Cochin and Rourkela—at Baroda due to drought conditions in Gujarat; at Cochin owing to labour strike and at Rourkela as a result of production exceeding estimate. There was also the problem of moving stocks by railways. To ease the situation at Baroda, the minister disclosed that steps had already been taken to divert allocation from Gujarat to other states. The labour dispute at Cochin had been resolved. Additional allocations had been made from Rourkela to such states as Andhra Pradesh.

A study is understood to be being conducted by the Fertiliser Association of India to realistically assess demand so that the expansion programmes of the industry can be revised, if necessary. It is expected to be completed shortly.

* *

The announcement by the union minister for Industry and Civil Supplies, Mr T. A. Pai, at a seminar here last week-end on engineering design and development of cement plants—which was organised by the Cement Research Institute of India—that the industrial policy would be revised soon to widen the concept of core industry to include several other industries would be widely endorsed for it should have a salutary effect on the future price trends. A new category of "essential' industries" like textiles, sugar and drugs is being added to the core sector list of industries. It is proposed to meet the credit, raw materials and other inputs of these industries on a priority basis. It is, however, yet to be seen whether the large industrial houses would be allowed to expand their operations in the "essential industries sector", as is the case with the other core industries. Heightened significance is also being attached to the development of agro-industries and the units producing industrial raw materials and intermediates.

Mr Pai as well announced two significant concessions for the cement industry with a view to expeditiously augmenting both production and capacity. Balancing equipment will be allowed to be installed by cement manufacturing units to raise production beyond their licensed capacity upto "110 per cent or even more". The price of cement would be adjusted from time to time to provide for a fair return on investment.

A special cell, Mr Pai disclosed, had been created in his ministry to sort out the problems of coal and wagons for the benefit of priority industries, including the cement industry. He, however, reiterated the decision of the government that the existing foreign collaborations in the cement industry would not be permitted beyond 1976.

POINTS OF VIEW

Green revolution: progress and prospects

Dr B. R. K. Rau

In 1964-65 the government of India formulated a "new agricultural strategy" to secure a leap forward in agricultural production. This strategy is meant to bring about a revolutionary change in agriculture by raising farm output through the use of high yielding varieties (HYV) of seeds, chemical fertilizers, pesticides, implements, machinery, multiple cropping technique, irrigation facilities (water), agricultural credit and remunerative prices for agricultural output. According to the International Rice Research Institute the initial thrust of the new technology has been far more rapid than any historical experience could suggest. Many belts of land have exhibited a higher level of adoption of the new strategy than the most optimatic predictions.

intensive farming

This strategy was first mooted as the Intensive Agricultural District Programme or Package Programme in three districts in 1960-61 and was extended to 13 districts subsequently. In 1964-65 its modified farm, the Intensive Agricultural Area Programme was extended to several parts of the country. These programmes concentrated upon intensifying agriculture but the existing crop varieties used at that time gave low response to fertilizer inputs. Then came a major change with the introduction of high yielding varieties. As early as in 1960 hybrid varieties of maize and millets were introduced. Hybridisation became a general practice by 1963 and the Mexican dwarf variety of wheat was selectively used in 1963-64. The year 1965 saw the application of TN-1 variety of paddy seeds. From 1966 kharif onwards large areas made full use of high yielding varieties.

The high yielding variety programme is "one of the greatest feats of biological engineering" according to A. S. Kahlon. At present, wheat, Bajra, maize, jowar and rice are included in it. Table I show the progress of HYV programme in hectares.

By the end of the fourth Plan (1973-74) the programme fixed a target of 25 million hectares for the application of HYV seeds. Wheat production had shown spectacular results in Punjab, Haryana and parts of Utttar Pradesh rising from 12.3 million tons in 1964-65 to 26 million in 1970-71. As one of the most important factors for the success of this technique is water, and as water management created a serious problem the kharif rice did not show any spectacular result. This is an important point to be noted in connection with the possibility of success of the green revolution at present in India. But the rice programme in 1969-70 covered 4.34 million hectares as against a target of 3.24 million hectares and in 1970-71 it was expected to have covered 5.50 million hectares as against a target of 4.45 million hectares. For 1973-74 the HYV rice programme was fixed at 10 million hectares. Even then it does not constitute more than 15 per cent of the entire rice crop area of south and south-east Asia. This shows the limitations of the success of HYV rice programme due to lack of irrigation facilities. Table II shows signs of encouragement from the production of HYV programmes.

It should not be forgotten that the period 1971-73 has witnessed a troublesome food situation. The drought and floods occurring in the period 1971-74 were by no means favourable for the fulfilment of such expectations. Water is the only factor that is capable of converting the potential energies of different inputs into kinetic energy. When water availabi
is favourable the role of other inp
needs to be studied.

Fertiliser consumption has be
increasing from 1965-66 to make
HYV seeds give the desired resu
The report of the Rockefeller Foun
tion stated that the jump in fertiliser us
in India in recent years has b
one of the biggest and fastest kno
anywhere in the world. Table III gi
a picture of the increases.

Rural Compost; green manuring a
urban compost; and sullage utilisati
schemes are brought into operation
utilising the local resources of orga
manure. But there has not been much s
cess in this direction as the practice
burning dung cakes could not be stopp
and farmers could not be persuaded
use green leaves and sullage to
possible extent.

The combination of high yieldi
variety of seeds and chemical fertilis
has made it imperative to use improv
varieties of implements, tools a
machinery. The number of tract
increased from 51,000 in 1966 to 91,0
in 1968-69. It was planned to have
annual production of 20,000 tractors
1970-71 and 50,000 tractors by 1973-
Even then the intensive and extens
cultivation operations demanded by
growing food needs of increasing po
lation cannot be satisfied. Also

TABLE I

Progress of HYV Programme in Hectares

Year	Million hectares	Total increase in million hectares	Increase in million hectares		
			Wheat	Rice	Baj
1967-68	6.04				
1968-69	9.20				
1969-70	11.41				
1970-71	14.61	3.20	1.85	0.89	0.0

problem of the small farmers cannot be satisfactorily solved in this regard because they have no finance to purchase highly priced tractors.

Farm productivity increased significantly with the use of HYV seeds and fertilisers wherever water was available for irrigating the lands. Water availability showed the possibilities of the green revolution. While 412,922 wells and pumps were energised in 1965, the number went up to 16,29,000 in 1971 and was expected to have gone up to 23,37,000 in 1973-74. But there are millions of hectares in the country which have not got the facility of irrigation from either rivers or canals or tanks or wells, or sufficient rainfall even for dry farming. This imposes a severe limitation on the expansion of the green revolution to all parts of the country. It should be remembered that the monsoons waver frequently and there is no guarantee that there will be rain every year in every part of the country. In the absence of a river grid and a power grid there is no assured irrigation facility available for most parts of the land and this is a severe limitation on the progress of the green revolution.

multiple cropping

The new multiple cropping scheme was introduced in 1967-68. It meant the rotation of short duration crop seeds so that as many varieties of crops may be raised as possible during the period of one year. HYV seeds of paddy, maize, jowar, bajra, barley, ragi, oilseeds, potato and vegetable seeds were brought into action. The multiple cropping area increased from three million hectares in 1967-68 to six million hectares in 1968-69 and was expected to reach nine million hectares by 1973-74. But the non-availability of quality seeds in sufficient quantities and the negligence and malpractices of the concerned government officials has not allowed the programme to obtain optimum success.

Plant protection practice is a very important part of the new agricultural strategy. The HYV plants are more susceptible to diseases and pests. The application of insecticides and pesticides is therefore an integral part of the new agricultural technology. The National Council of Applied Economic Research has estimated that 25 per cent of the total crop is ruined at the growth and post-harvest stages by plant diseases, insects or rodent pests. It is possible to prevent this loss up to 15 per cent at the growth stage and up to 10 per cent at the post-harvest stage by the application of insecticides and pesticides. This method can save the agricultural output from a loss of Rs 1500 crores per annum. In this process of saving agricultural output from damage, 14600 tonnes of technical materials were used in 1960-61. While this had increased to 25800 in 1965-66, it was expected to have gone up to 66000 tonnes in 1973-74. While this programme had covered an area of 6.4 million hectares in 1965-66, it increased to 43.20 million hectares in 1970-71 and was expected to have gone up to 80 million hectares by the end of the fourth five-year Plan.

The government of India adopted the policy of giving support prices to foodgrains. In pursuance of this policy the Agricultural Prices Commission and the Food Corporation of India were set up. They were entrusted with the duty of fixing prices for foodgrains and buying foodgrains from the market to maintain buffer stocks and give a guarantee to provide remunerative prices to the farmers. This policy came into operation from 1967-68. Unless support prices are given, farmers do not come forward to incur bigger investments for increased inputs that lead to increased output.

It is the farmer that has to implement this new agricultural strategy. He can do it only when he has the know-how. He should be theoretically equipped for and trained in its practice. In 1966-67 a pilot scheme of farmer's education and training was started in five districts. By 1968-69 the education and training programme spread to 27 centres. To train the farmers during the fourth Plan period 100 districts were selected for demonstrating the implementation of HYV programme at the rate of 15 centres for each district. A sum of Rs 2.45 crores was allocated to implement this programme. It was contemplated to disseminate agricultural information through audio-visual devices and farmers' discussion groups and rural forums of the cultivators.

There are differences of opinion on the achievements of the green revolution. According to Dr M. S. Swaminathan "the Green Revolution in our country at long last ended the divorce between the intellectual and labour in the cultivation of food crops and has generated a climate of confidence in our agricultural capabilities." Prof. M. L. Dantwala has expressed the feeling that the green revolution has solved the food problem, removed our dependence on food imports considerably, brought higher incomes to many farmers and has given fillip to general economic development through its forward and backward linkages. Nevertheless, quite a few competent observers have been critical of the

TABLE II

Increase in Production Due to HVV Programme

Year	Foodgrains production (in million tonnes)	Index of production	Remarks
1965-66	72.0	121.3	
1970-71	107.82	182.7	61.4 (Good)
1973-74 (End of fourth Plan)	122 to 125 (Expectation only)		Spectacular if happens but not sure

TABLE III

Increase in Fertilizer Use in 1970-71

Fertiliser	Pre 1970-71 position	1970-71 ending position
Nitrogenous (N)	0.49 million tonnes	1.49 million tonnes
Phosphatic (P_2O_5)	0.14 million tonnes	0.46 million tonnes
Potassic (K_2O)	71 thousand tonnes	2300 thousand tonnes

results of as well as the claims made for the green revolution.

For instance, progress has been slow in the identification, and evolution of improved varieties of paddy and their introduction on a commercial scale. Again, although varieties such as TN-1, T-65, T-3, ADT-27 and IR-8 have been extensively demonstrated, scarcity of irrigation facilities has come in the way of expansion of area under these HYV seeds. As the intensity of irrigation has declined, the per acre yield also has declined. In Uttar Pradesh, Rajasthan, Orissa, Maharastra, Madhya Pradesh and Gujarat rice is cultivated in less than 25 per cent of the irrigated area. In such areas even the average yields are low.

The New Agricultural Strategy (HYV) has not spread to all the states in a uniform way. States having irrigation facilities only could successfully adopt the HYV programme. Punjab, parts of Haryana, Andhra Pradesh, Gujarat, Tamil Nadu, Uttar Pradesh and Bihar could adopt the New Agricultural Technology but that too only in limited pockets. But Punjab showed tremendous success in agriculture. Some islands of prosperity in a sea of rural poverty are created leading to accentuated regional imbalances even within individual states. But this should not stand in the way of further efforts for making the green revolution a success in India.

rich farmers benefited

The green revolution, to the extent that it has taken place, has presently benefited the rich farmers thus accentuating economic inequalities in rural areas. But it is no fault of the green revolution but that of the existing economic set up. Rich farmers having fertile lands, irrigation facilities and capital could afford to buy new seeds, pesticides, chemical fertilizers, etc., and take advantage of the New Agricultural Strategy. But poor peasants having no such facilities have failed in benefiting from the HYV programme. If all the necessary inputs are supplied to the poor peasants it is likely that the performance of their lands will be better than those of rich farmers because a poor farmer gives undivided attention to his farming.

The green revolution has created an imbalance between food crops and commercialcrops by largely ignoring millets, pulses, sugarcane, cotton, groundnut and jute. It has only touched their fringes. The increase in the production of these crops is only due to an increase in their area of cultivation. The index of production for each crop showed an increase of 0.5 per cent in 1970-71 over that of 1964-65. This is evidently due to the cash crops losing some area, both absolutely and relatively, to foodgrains cultivation. After 1964-65 the area under cotton cultivation began to decline and reached 750,000 hectares by 1970-71. On account of a diversion of 4.5 million hectares from pulses to cereals an imbalance was created between the production of cereals and pulses.

demand for labour

The programme consisting of the use of improved seeds (short duration seeds, HYV seeds), fertilizers, new production techniques and multiple cropping has intensified agricultural operations. This has increased the demand for labour. Thus agricultural wages rose by 150 per cent during the peak agricultural season in Punjab and Haryana that have made a name in green revolution. Some places experienced acute shortage of labour creating an atmosphere for higher wage demand leading to class conflict between farmers and agricultural labourers. This does not augur well for the country. The problem must immediately be solved by the government.

The fourth Plan mid-term appraisal has pointed out the defective organization of HYV programme in the following words: "The creation and utilisation of irrigation potential (major and medium schemes) and the growth of fertiliser consumption are behind schedule . . . .There is evidence of a trend towards growing under-utilisation of pumpsets. Flood control measures have been shown to be inadequate. The programme of creating storage capacity has been behind schedule. Progress in the regulation of markets and development of marketing yards and ancillary facilities has been slow. Prices of many of the cash crops such as cotton, oilseeds, jute and plantations remain subject to wide seasonal and other fluctuations. The progress of agricultural research and extension has been inadequate. Often serious organizational, staffing and operational difficulties have been encountered. Normal extension activities, particularly field demonstrations, have seldom been vigorous enough. The development programmes for the benefit of the small and marginal farmers and the agricultural workers have hardly got off the ground. The officials of the agricultural department are not as much helpful to the peasants as is required. Doses of expertis coupled with patriotism should be injected into this department.

Till now the new agricultural strategy i used in wet farming only. It is necessar to immediately apply it to dr farming also so that food production ma increase. There are techniques for bette moisture consumption, root growth and utilisation of nutrient and these must b utilised immediately. According to A.S Kahlon "dry farming research ha shown that it is possible to obtain fou to six quintals of moong per hectare and 30 quintals of jowar per hectare from the same land by following multiple cropping under dry land farming ......that the dry land crop cafeteria comprising cereals, grain legumes, oilseeds and forage grasses has a great promise in the dry farming areas ....The dry land cafeteria at the Indian Agricultural Research Institute (IARI showed that in the Kharif season, castor gave the highest return of Rs 2,250 per hectare. Arhar came a second with a net profit of Rs 2,245. In the rabi season, the highest net income of Rs 2,406 per hectare was earned by sarson. Research should be intensified to develop suitable technology for innoculation of groundnut with Rhizobium under dryland farming conditions and particularly refinement of water harvesting technique should receive high priority".

imperative incentives

Incentives are necessary to enthuse the farmers to take more interest in the adoption of HYV programmes. Cultivators should feel confident that their hold on land is stable. Security of ternure and conversion of tenants into owners can induce the farmers to intensify their efforts for adopting the new agricultural strategy.

According to A.S. Kahlon: "In a stagnant agriculture, by itself, agrarian reform........cannot solve either the problem of poverty or over-population (unemployment). However, once some such innovation as a 'miracle seed' shatters the technological barrier to rewarding human endeavour, economic and institutional policies aquire a grave responsibility of ensuring that the gains of technology are not monopolised by the priviledged and the powerful".

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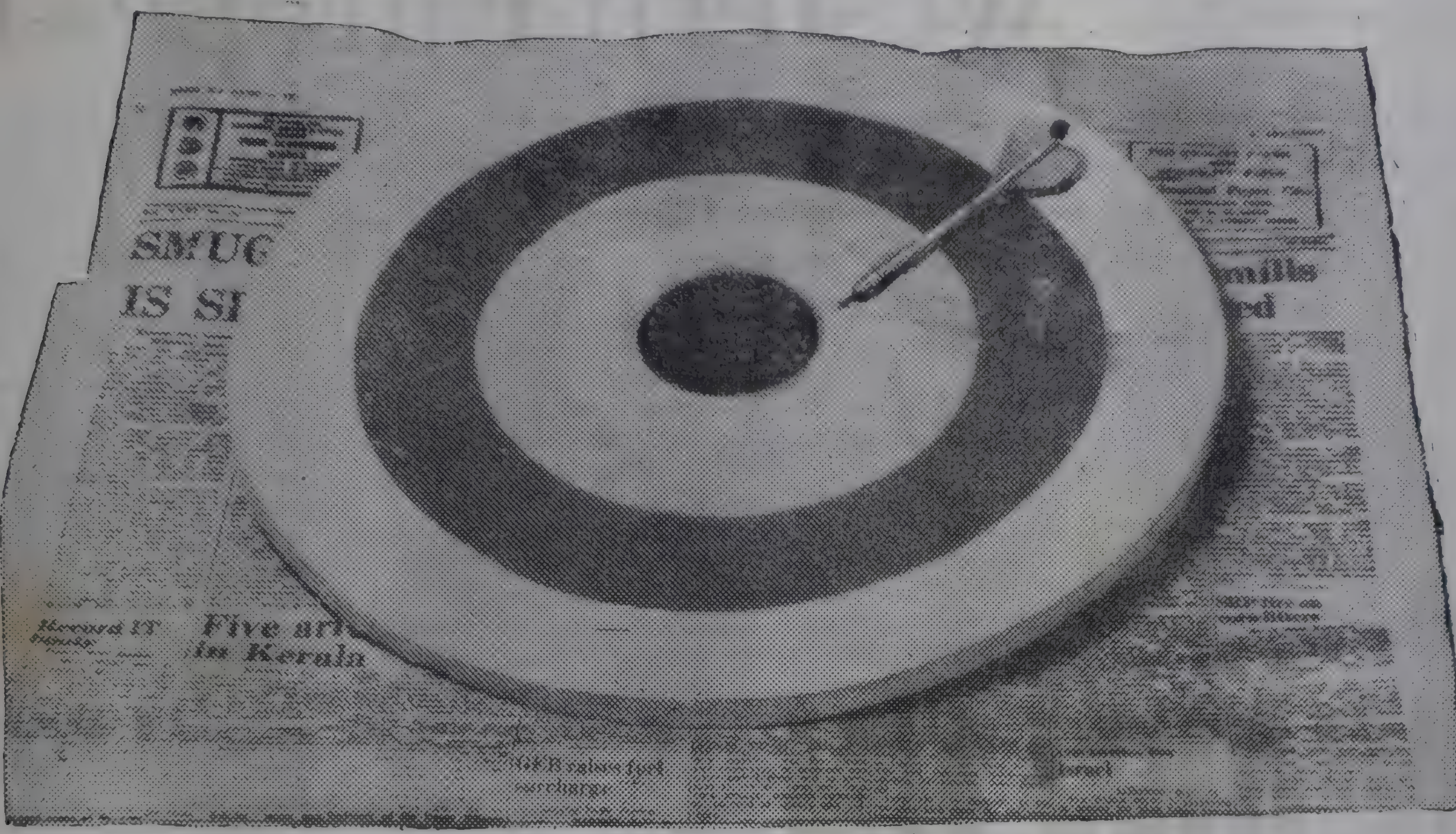

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Here and there in western Europe--II

V. Balasubramanian

Food meet in Rome • Kissinger's kites • Butz lays down the law • From Russia with love • Chinese red herring • The Mexican connection • Oiling the talks • Jagjivan Ram proposes • Boerma disposes • Salvaging a Roman ruin

WINDOW ON THE WORLD

ALL ROADS might have led to Rome on or on the eve of November 5 when the World Food Conference began its session, which was to end twelve days later, but it was clear enough from the start that the delegations, which had gone there at the invitation of the United Nations, did not mean to travel in the same direction. This was because, whatever the good, bad or indifferent intentions of the various participants might have been, the world's food problem had never been one which could have been settled in straight and simple humanitarian terms. Food, whether nationally or internationally, has always been and will always be part politics, part business, and only part sentiment.

The conference was held in the richly marbled Congress Palace, which the Italian government had placed at the disposal of the FAO for the occasion. This venue was chosen partly for its commodiousness but essentially because of security considerations. It was easier for the Italian government to provide police *bandobust* on this location than on the premises of the FAO assuming that Dr Addeke Boerma had at all been keen on playing host to this numerous gathering within the relatively confined and crowded precincts of his organization.

The security aspect was rather important. Although the fact that the Palestine Liberation Organization had been officially recognized and duly represented at the conference at the instance of the United Nations might have been held to have reduced the hazards, there were other risks which were not to be ignored. For instance, Dr Kissinger, the US secretary of state, who was in Rome to address the conference on the inaugural day, is certainly not the most popular international political personality among Italian people of a certain political complexion. I am not suggesting that his life was necessarily in danger during his visit to Rome on this occasion but, given the political tensions of the present-day world, neither the FAO nor the Italian government could have taken risks. I must however add that, after the first day of the conference with Dr Kissinger having safely gone away, everybody, and everything including security, seemed to relax and start enjoying the fun. It was not easy to remain serious, let alone tense, once 1,200 delegates from more than 130 countries had settled down to a near-fortnight of endless oratory at the plenary or laborious argumentation in committees.

* *

This conference, in a sense, was a Kissinger initiative since it was he who,
about a year ago, first made the no
which led to the United Nations tak
up the project. The US secretary
state probably hoped to be the hero
well of the Rome conference. It is
secret, for instance, that, while he v
in New Delhi, which he visited a f
days before he went to Rome, he v
indicating in private talks that he was r
going to the conference empty-hand
When the historic moment arrived, ho
ever, what came out of his brief-case w
only a few paper kites. Dr Kissing
no doubt manoeuvred them into t
skies with his usual adroitness but, wh
he sat down, the assembled plena
could not but note that the US secreta
of state had let go the strings along wi
the kites. These dummy birds, flutteri
and forlorn, remained an irritati
incident for the rest of the session.

a grand design

All this was in spite of the fact th
the Kissinger presentation, purely as
thesis, did possess substance as well
style. He, in fact, spoke of a gran
design for an international grain reser
which would protect the vulnerable are
of the world against famine by providi
for the distribution of food accordi
to need. Discussing the main implic
tions of this concept he emphasize
that it would be necessary for develope
countries as well as developing countri
to increase food production, pool infor
mation on harvest prospects and stock
and share responsibility for storing an
distributing stockpiled grain. He als
indicated that aid in the form of mone
for the poor and food-needy countri
would have to be an integral part of th
plan since money would be needed bot
for financing food distribution on nor
commercial terms and for supplementin
the resources which the developin
countries might be able to devote t
programmes for increasing the produc
tion of food.

The problem with his speech howeve
was that, while it was replete with respec
tability, it was sadly lacking in credibility
Dr Kissinger simply forgot to say wha
his own government might be willing t
contribute in kind or cash towards th
launching of his world food plan. Wors

still, at more than one point of his speech he came near to suggesting that the US contribution could, in the main, be only in the form of ideas. Indeed one British journalist was promptly provoked to brand Dr Kissinger's address as a matter of the United States telling the rest of the world, "we play, you pay." Perhaps this summary denunciation was uncharitable, but it was clear enough from Dr Kissinger's speech that he expected the wherewithal for the world food plan to be contributed very considerably by other countries, notably those of the OPEC. It is true that the notion, or perhaps the demand, that the countries which have suddenly acquired enormous wealth through sharp increases in the price of crude, should contribute liberally to the cost of development assistance, particularly in terms of food aid or finance for agricultural expansion, is one which is widely prevalent and not confined to Dr Kissinger or the United States. Nevertheless, what seemed to rob his so-called keynote address of any right to that title or indeed relevance to the occasion was that he was so conspicuously unable to undertake on behalf of his government or his country any worthwhile commitment to action which could have lent reality to his own concept of what the Rome conference was meant to accomplish.

* *

It was not long before almost everybody became aware of the fact that the US secretary of state had been sent shopping without a credit card. Even during the first short week of the conference it became painfully obvious that the US delegation had no brief or authority to make itself responsible for any meaningful initiative whether with regard to the relatively long-term issue of world food security or to the short-term aspect of the problem which was the mobilization of grain supplies internationally for the relief of the large number of people currently suffering starvation or threatened by mass famine deaths in various parts of the world, notably Bangladesh.

Worse still, the US secretary for Agriculture, Mr Earl Butz, who was the official leader of the US delegation, revealed on the second day of the conference that he was there essentially to emphasize the importance of the American farmer being assured of attractive prices, profitability and markets both at home and abroad so that he could maintain a high and growing level of food production and thus make a real and permanent contribution to the relief of the world food shortage. Even though only a day earlier the US secretary of state had been speaking in terms of a coordinating group negotiating a detailed agreement on an international system of nationally held grain reserves and had gone so far as to mention a figure of 60 million tonnes above the present carryover stocks as the target for the building up of this reserve over a period of ten years, Mr Butz himself stated very firmly that, in his view, the United States could best serve the purpose of a fair global distribution of grain by strengthening the incentives for its farmers and regulating its exports of grain in accordance with the prevailing circumstances.

dispelling an illusion

Again, on the question of an on-the-spot large-scale food aid programme for scarcity areas, Mr Butz dispelled the notion that the United States might be making a dramatic offer to the conference to provide any large quantities of grain over and above what it had already committed itself to do. He moreover created a strong impression that, so far as the immediate future was concerned, his primary aim as the US secretary of Agriculture would be to maximize commercial sales of US grain abroad and thus secure as much revenue as possible from this source for his country and its farmers. Probably because last year the Soviet Union had managed to buy large quantities of grain in the United States at a very early stage of a rising market, the primary concern of Mr Butz currently is to make sure that his country and his government are not caught napping again. Consequently, in his calculations, what should have been the main purposes of the conference, viz, emergency food relief and long-term food security, were firmly put down as being incidental to the improvement of the world food situation, in the short term as well as the long, through raising food production levels, particularly in grain exporting countries such as the United States, through incentives to farmers in terms of prices and exports.

* *

The net effect of the quality of American participation in the discussions in Rome, consequently, was to deny to this conference leadership from a source which could legitimately have been expected to provide it. This made it only too easy for the Soviet Union and China, which seemed to have gone to Rome without any particular enthusiasm for the conference or its purpose, to contribute more than their fair share in ensuring that the whole affair drifted and decayed. The leader of the Russian delegation, Mr M. Rodionov, vice-minister for Foreign Affairs, seemed indeed in no hurry to intervene. He in fact addressed the plenary only on the third day of the conference and the only merit of his speech was that it was short, lasting for about twelve minutes. Even so, he devoted more time to describing the progress of Soviet agricultural development and detailing the food or farming assistance which that country had already extended to various developing nations than to taking a positive stand on behalf of his government on any of the substantive issues before the conference. Moreover, declaring melodramatically that the world could support ten times its present population by increasing farm productivity, he seemed to go out of his way to dilute the sense of urgency so essential to any progress the conference could have hoped to make.

China may have its differences with the Soviet Union but its vice-minister for Agriculture and Forestry, Mr Hao, who had spoken earlier at the plenary, had revealed already that, where the world's food problem was concerned, it too was very much in favour of not merely playing it cool but playing it down. Warning developing countries of the dangers of neo-colonialism in western proposals for dealing with the requirements of food-needy nations, Mr Hao exhorted them to draw inspiration from the example of China which, he claimed, had become self-sufficient in food. It was contended later on at a press briefing by the deputy leader of the US delegation that the Chinese claim to food self-sufficiency was not justified and that China had in fact been importing grain in recent years on a scale higher than that on which India's imports had been running.

Apart from polemics the Russian and Chinese delegations seemed to have coordinated their efforts wonderfully to ensure that the vacuum created by the American failure to measure up to the occasion remained unfilled. To change the imagery, if the US delegation broke the back of the Rome conference, the Soviet and Chinese delegations brought about the subsequent splintering of its limbs.

* *

It was of course not to be expected that the developing countries would or could play a decisive part in engineering the course or forcing the pace of the conference. Those among them which were urgently in need of food or farming aid were obviously not in a very strong negotiating position, while the rest probably felt that there was no call on them to stick their necks out. Consequently, while there was a tremendous amount of attitudinizing and lecturing on the part of the delegations of many of the countries of the so-called third world, there was at no time a sufficiently motivated or organized effort from this group as a whole to essay the practical and thus secure concrete benefits from this conference. The president of Mexico, who authored one of the major speeches delivered at the plenary, for instance, demanded of the developed countries that they should reduce their expenditure on armaments and divert the savings to the feeding of hungry mouths around the world. This was no doubt an ennobling prescription but it could certainly not be claimed for President Echeverriya that he was letting himself be guided by the wise old dictum that statesmanship was the art of the possible. He also declared rather airily that if the developed world were to fail to do its duty by the hungry of the earth, the petroleum exporting countries were waiting in the wings to give of their new-found affluence and thus rush to the rescue of the food-needy parts of the developing world.

Not surprisingly, however, neither before the speech of the Mexican president nor after it was there any move on the part of the OPEC group to make any such zealous response to the need of the food-deficit countries. As a matter of fact, the OPEC group seemed to have elected to adopt, if not a policy of masterly inactivity, at least an attitude of semi-detachment. This is not to suggest that they were callous. This they were not. On the contrary, it was firmly stated on behalf of the Nigerian delegation, for example, that the oil-rich countries certainly had to accept certain responsibilities in the context of the world food shortage. Nevertheless, for the OPEC group as a whole, what seemed most important in Rome was that it should defend itself against being blamed for the increase in world fertilizer prices and the acute balance of payments difficulties of several food-needy countries which had come in the wake of the boost in the price of crude. One OPEC spokesman after another chose to utilize conference time to argue that it was not the price of crude but the inflationary policies of the industrialized countries which were the real and root cause of the economic difficulties of the developing world.

* *

As for the Indian delegation to the Rome conference, the handicaps were as serious as the opportunities were tempting. During the brief period he was Food and Agriculture minister *ad hoc* Mr C. Subramaniam was known to have laboured earnestly to work out an Indian strategy for the Rome conference. As it happened, he did not go to Rome, having become Finance minister meanwhile and it fell to Mr Jagjivan Ram, to carry out the assignment. This ensured a continuity of competence in the matter of the Indian participation. All the same Mr Jagjivan Ram had to function under certain constraints imposed on the Indian delegation by the general policy of the government of India in the matter of food.

First, there is the political commitment of Mrs Gandhi's administration to the concept of early food self-sufficiency for India. Once it is decided that it is necessary to go on proclaiming from time to time that India would soon be in a position to feed itself without much help from the outside world, it becomes rather difficult to play the part of a concerned advocate of a system of world food security. Again, it has been the Indian government's policy to play it cool so far as the country's food shortage is concerned, even if this means playing down the difficulties of the hungry people in the scarcity areas of West Bengal, Assam or Orissa.

Indian inhibitions

This being the case the Indian delegation and its leader were considerably inhibited in dramatizing the importance or immediacy of a massive international food aid operation for saving threatened lives in the next twelve months or beyond. In other words, because the government of India has not been honest enough to admit to itself or to the rest of the world that the Indian food economy is currently passing through a critical phase or that it is likely to remain in chronic deficit for the foreseeable future, Mr Jagjivan Ram and his delegation were not in a particularly strong position to joust powerfully either for an immediate large-scale food aid programme or a long-term plan for world food security. If nevertheless he did advance the most significant proposal made at Rome which was for a high level political policy-making international agency for setting up and operating a world food security scheme, he probably did so basically as an act of faith in the essential goodness of human nature.

In the speech he made at the plenary session on the second day of the conference Mr Jagjivan Ram proposed that the conference should vote in favour of the establishment of a world food security council on the lines of UN security council to formulate at the highest political level policy decisions for organizing and operating through appropriate UN agencies a world food reserve which would make food available on concessional terms to needy countries for the purpose of anticipating and avoiding famines or starvation deaths. This concept, it may perhaps be mentioned, was not altogether original. On the eve of the conference "a group of eminent persons from 16 different countries" ha been convened in Rome by Lady Barbar Ward Jackson, at the invitation of th secretary-general of the conference, t discuss various aspects of the world foo problem and to obtain, if possible, a independent and expert view of some o the main issues involved. This group, calling itself "the Rome forum on worl food problems", adopted a unanimou declaration which was circulated amon the participants of the conference This declaration had suggested that "possibly a food security council could provide this leadership, comparable in composition and responsibility to the United Nations Security Council and, like it, countering the risk of violent death engulfing the human family." A member of the Forum was Dr M.S. Swaminathan, Director-General of the Indian Council of Agricultural Research, who also attended the conference as a UN special invitee and it is possible that there was considerable Indian inspiration behind the idea of a food security council as initiated by the forum. In any case Mr Jagjivan Ram took the initiative in formally recommending this proposal to the conference.

The idea predictably secured the support of the developing countries by and large, with delegates from this category expressing their open acceptance and approval. Additionally there were encouraging indications that the OPEC countries might be expected to sympathize and support the scheme since a council of the kind proposed could be the means of providing for the oil-rich countries, which might be expected to contribute resources for the project, being effectively represented at the highest political policy-making level in framing and operating the scheme. A conspicuously enthusiatic advocate of the scheme was the secretary-general of the conference, Mr Sayed A. Marei, who gave the move the full backing of the secretariat of the conference.

* *

Ironically enough, the chief opponent of the proposal was none other than the director-general of the FAO himself. Dr Boerma campaigned relentlessly behind the scenes to organise opposition to the idea and he was able to rally in his support almost all the west European delegations. Their spokesmen, one after another, declared themselves to be against creating any new agency. They argued that the setting up of a new body would involve avoidable administrative elaboration and expense. It was contended that the Economic and Social Council could conceivably provide the necessary political will and that, if need be, the existing UN agencies relevant for the purpose ould be re-structured so that they could unction more effectively for the implementation of a world food security programme. Dr Boerma's own feelings or easons were not difficult to fathom. erhaps naturally he did not relish the dea of the importance of the FAO being owngraded or diminished in any manner. He might well have told himself that he was not playing host to the conference so hat it could liquidate the FAO as the premier Food and Agriculture agency of the United Nations.

Moreover, the fact that the world food security council scheme contemplated he functioning of the council through a umber of executive agencies of which he FAO might be merely one did not elp in enlisting Dr Boerma's enthusiasm for the plan. So unhelpful was he in this respect that at one stage his attitude seemed to have provoked the reaction that if the FAO was all that effective, as its secretary-general seemed to believe, there would not have been any need for the Rome conference being convened at all. In the result, however, Dr Boerma did manage to triumph, providing a classic example of how institutions tended to become vested interests. In fairness to him, however, it must be conceded that the scuttling of the concept of a world food security council was not entirely due to his lobbying, although it was intensive and effective, particularly among the west European countries. While this made him the nigger in the woodpile, it did not elevate him to the status of the villain of the piece. What clinched the issue was that neither the United States nor the Soviet Union was keen on the Indian proposal.

a commercial matter

As had been indicated earlier, for the United States, grain exports are essentially a matter of commercial policy. Washington is clearly not prepared to think in terms of handing over any part of its authority for regulating American grain exports to an international political body. Again the US secretary of Agriculture, Mr Earl Butz, was throughout emphatic on his government's opposition to and his government's rejection of the idea that it should participate in the building, financing and deployment of a grain reserve either at the national level or as a participant in an international arrangement. He repeatedly affirmed his and his government's view that American grain exports should remain a normal part of regular and normal operations and that American contribution to world food security could only be in the form of maintaining US grain production at a high level and regulating US food exports taking into account the requirements of food-needy countries.

The Soviet Union for its part made it plain too that it did not intend to participate in any world food reserve arrangement in view of its own settled policies and priorities relating to its national food policy. This policy aims at supplementing domestic food grain production by imports for the purpose of maintaning a national buffer stock against fluctuations in domestic output as well as for securing supplies of grain for use in building up Soviet herds of beef cattle. Some of its grain supplies could also be needed for meeting the deficits of its communist allies in central and eastern Europe or for catering for the needs of other friendly countries. Incidentally it must be borne in mind that the Soviet Union is not even a member of the FAO which makes it obvious that the Soviet food policy will have to cover much international ground before it reaches a state of possible integration with any revolutionary concept of international responsibility for the world food problem.

Finally there was little enthusiasm among leading grain exporting countries generally for the plan for a world food security council. For countries, such as Australia and Canada, wheat represents a major export and their primary concern is to protect and promote their principal export markets. This calls for their giving highest priority to market possibilities in the major grain importing countries. Australia, for instance, would always take particular care to ensure that its trade connections with Japan are fully nursed. Given this framework of reference, while Canada and Australia may certainly continue to render food assistance to needy countries as necessity arises, they must naturally be in essential agreement with the American view of the overriding importonce of the commercial aspect of grain exports.

* *

The issue of world food security was further complicated by the fact that a plan of this kind necessitated the proper functioning of a world food information service. There has to be an adequate monitoring of food stocks and farm prospects in chronically deficit countries so that shortages or possibilities of famine could be anticipated and remedial action organized in time. As a complement to the "early warning system," there has also to be full and prompt reporting of production, carryovers and exportable surpluses in the grain producing and marketing countries so that availabilities of grain, whether for the purpose of a world food reserve or for running programmes of food aid could be speedily and correctly located or identified.

US farm statistics being as good as they are, this requirement probably does not present much of a problem so far as that country is concerned. But it is interesting that Australia, while offering no objection in principle to a world food information service, nevertheless expressed grave reservations on the ground that countries with large stakes in the commercial exports of grain could not pool their data regarding production or stocks internationally unless there could be guarantees about the "confidentiality" of the information being maintained by the international agency or agencies concerned. Curiously enough, even Sri Lanka, a food deficit country, concurred on this point about "confidentiality", although it viewed it from a different angle. Its delegation pointed out that information regarding a prospective food shortage in a country could lead to grain prices being rigged up within that country as well as in exporting countries. The fear was also expressed that, if a government were to make public data about a possible food crisis, the opposition parties in the country concerned could exploit it for their political purposes. Sri Lanka presumably is not alone in harbouring such an apprehension.

communist opposition

The Soviet Union and China, of course had reasons of their own for turning down the idea of a world food information service. In both countries, particularly in China, farm statistics have a way of being treated as though they were state secrets. In any case, on the main question of a world food security system, the Soviet Union had taken the definite stand that it will not participate in it in any significant way, while China had been expressing from the very beginning its lack of faith both in the motives and the means of a world food programme claiming to be operated with the assistance of the affluent countries of the west for the benefit of the poorer nations of the globe.

Finally it was pointed out at more than one stage of the discussion that agricultural statistics in many developing countries were neither reliable nor complete. Apart from this statistical lacuna or gap, it was also true that the governments of many food-needy countries, as was tragically demonstrated in the case of Ethiopia, were reluctant for political or prestige reasons to let the rest of the world know the facts about famines or risks of famines in their territories even when this publicity might be essential for international food aid being mobilized for the prevention of mass starvation deaths.

With the conference half way through it had become public knowledge that the idea of a world food security council or even any kind of an effective world food authority had been shot down. At the same time, both the participants in the conference and observers were cynical enough to expect that, before the curtain was rung down, some kind of a face-saving formula would be rigged out. Eventually this was what happened really. On the last day of the Rome meet, the plenary went through motions of adopting a resolution proposing a make-believe "world food council", studiously omitting the critical word "security" from the designation. It mentioned that this body would function under the aegis of the United Nations but it did not specify what exactly its status would be in the hierarchy of that meandering organization. However, so that at least Dr Boerma could be made happy, the resolution recommended that the proposed world food council should be located in Rome and served by the FAO secretariat. It also provided for a committee of world food security to be established as a standing committee of the FAO Council. The net result thus was that, although two more UN institutions were recommended to be created, the question of generating and embodying in operational form a world political will to create and to enforce internationally a food security programme for the locust years ahead was left in the air.

* *

Bangladesh was very much of a spectre at the feast in Rome. It was widely accepted that, while the worst of the famine and drought in the Sahel region of Africa was probably over for the time being, Bangladesh, and to a less extent Sri Lanka and parts of India, had been brought face to face with what was pictured in Rome as the threat of "mega deaths" from mass starvation. So far as India was concerned, its delegation was doing some fancy tightrope walking. In his speech at the plenary Mr Jagjivan Ram went through an elaborate exercise intended to persuade his audience that India's current food difficulties essentially were not of its making and that in any case they were of a passing nature. At a press conference which he held on November 12, just before his journey back home, he refuted the suggestion that there had been starvation deaths of any significance in India but conceded that the country was going through a difficult time on the food front and would need considerable food aid from abroad. He avoided putting a figure to what India needed as essential external assistance in the form of food but maintained that the foreign governments concerned in the matter and their missions in New Delhi were being kept informed fully and correctly of the government of India's estimate of the imports the country needed. He stated that the government needed a million tonnes of grain a month during the next seven months to run its rationing system, the fair price shops and the relief centres, but he did not specify what the government's calculations were about the respective contributions which domestic procurement, commercial imports of grain and foreign food aid were intended or expected to make to this total. I cannot say honestly that he succeeded in persuading the representatives of the international press that he had laid India's food cards on the table, but his performance was certainly widely admired for the agility with which he had concealed more than he had revealed.

Bangladesh's plight

In the case of Bangladesh, however, nobody seemed to believe that there was anything to be gained by not presenting the situation in all its tragic depth and spread. Indeed Bangladesh was the big drum on which was beaten out the call for a vast international food aid programme on an emergency basis. About a fortnight before the conference met, the secretary-general of the FAO had gone on record with an estimate of the needed emergency food aid, which was placed at between eight million and ten million tonnes a year for the next two years. At the conference the US and the British delegations took the position that this estimate had not been reinforced by firm enough data. Nevertheless, there soon emerged a consensus that the adequacy of any food aid programme that might emerge would be judged by the extent to which the committed quantities of grain would approach a figure of 10 million tonnes per annum for the next two years. It was realized at the outset that the chances of this figure being reached were heavily dependent on two factors. The first of them was judged to be the willingness of the US government to increase substantially its commitments of food aid in the form of grain and the second the readiness of the affluent countries—including in this group both the "old rich" industrialized countries and the "new rich" oil exporting countries—to provide financial aid or assistance to developing countries for buying at commercial or concessional prices grain over and above what might be made available to them as aid.

Hopes rose high when Canada and Australia came forward with handsome pledges and it was indicated on behalf of the Canadian government early enough that it might give an additional quantity of up to 180,000 tonnes by April 1975 in addition to the 450,000 tonnes of wheat pledged for the fiscal year 1974. There was also an impressive promise of one million tonnes of food aid every year for the next three years. As for Australia, it had provided for 225,000 tonnes of food grains in its regular budget for this year This provision was subsequently raised to a probable level of 340,000 tonnes to take care of the deterioration in the food situation on the Indian sub-continent. It was suggested that a further quantity of 350,000 to 500,000 tonnes could become available as food aid if Australia's special contribution of $20 million to the UN emergency operation were to be used to buy foodgrains. Sweden, which had started shipping a total of 170,000 tonnes of wheat bilaterally to Bangladesh and the Sahel, undertook to make an extra 40,000 tonnes per year available for the world food programme.

The process of mobilizing emergency food aid, however, suffered a setback when there came indications that the European Economic Community did not intend increasing the quantity of food aid which had amounted to 1,278,000 tonnes of wheat in 1973-74, although it would be prepared to raise the financial provision by 25 per cent to compensate for the higher price of grain due to inflation. The United Kingdom, which is making its contributions in the form of cash to the food aid programmes, both bilaterally and multilaterally, chose at least at the earlier stages of the conference, to wait and watch, while the Japanese position regarding finance for food aid was expressed in the diplomatic phrase that the matter was "under consideration."

heavy jolt

What administered a heavy jolt to the expectations was the failure of the attempts made to persuade the US government to come forward with a pronouncement sharply increasing its aid commitment. It may be recalled that in May this year the administration had requested $900 million for food aid, and at the press conference in Rome Mr Butz disclosed that an additional $ 100 million would be made available for cancelling the effects of inflation and meeting the increase in the prices of food grains. There was a strong feeling at the conference that unless the United States could be argued into doubling its food aid by offering an additional quantity of

million tonnes, no adequate emer-
cy food aid plan would be able to get
the ground. As had happened, even
quest from certain members of the
delegation to this effect did not elicit
vourable response from the US Pre-
ent.

All this meant that, despite the solemn
laration of the Bangladesh delegation
t, while 100,000 men, women and chil-
n had already perished of hunger in
t country during its present food crisis,
haps more deaths totalling nine times
t number would be taking place before
s ordeal was over, the aggregate emer-
ncy food aid offered or indicated at the
me conference fell far short of the
nimum eight million tonnes of grain
lely considered to be necessary for sav-
mass famine deaths in the next twelve
nths in the stricken lands in Asia and
rica. The Rome conference, consequen-
, was obliged to take refuge in a resolu-
n which hopefully called for the esta-
shment of an intergovernmental com-
ttee on food aid to coordinate national
d international programmes with a view
reaching a target of food assistance
er the next few years at the rate of ten
llion tonnes per annum.

ree tasks

Assuming that the UN General Assem-
y, acting on this recommendation, sets
this committee with a directive to en-
ge itself immediately in purposeful con-
ltation, its main tasks would obviously
three. First, it will have to persuade
e US government to resile from its stand
at it will not add to the one million
nnes of grain aid for the current year to
hich it is already pledged. Secondly, it
ould discuss with the Soviet Union, the
uropean Economic Community and pos-
bly Sweden and certain other countries
e possibilities of their contributing fur-
er to the augmenting of grain supplies
owing into the aid channels. In the case
f the Soviet Union this could mean the
rawing down of its domestic reserves
nd perhaps some diversion of food grains
om their use as cattle feed to their uti-
zation as food aid material. As for
EC aid. the countries of this group are
eported to have an aggregate surplus of
bout four million tonnes of wheat. Some
f it has already been flowing into or has
een committed to the emergency food
id programmes, but more of it might
erhaps be spared for the purpose pro-
ided west European countries could
btain some assurance from the United
States or other regular sources of delive-
ies of feed grains for their livestock. Fin-
lly, the committee will have to negotiate
with the oil exporting countries for aid
funds to be utilized for the purchase of commercially available food grains for famine-stricken or famine-threatened parts of the world.

* *

Embarrassed perhaps by the fact that they were demonstrably dragging their feet on emergency food aid, delegations from some of the industrialized countries and the US delegation in particular took to urging the developing countries repeatedly to address themselves to the issue of long-term food and agricultural expansion in their territories which, it was claimed, was after all the basic purpose of the Rome conference. Even this stance, however, did not deprive the developing countries of certain tactical advantages which they had. Thus they were able to demand that the affluent countries spell out in specific detail the nature and extent of the assistance which the latter were prepared to give for long term farm expansion particularly in food-deficit developing countries. Here it was clear from the outset that an area where help would be required both in the short period and the long was that of fertilizers. The Rome forum had suggested that aid in the form of at least one million tonnes of fertilizers was immediately required to maintain grain production in the food-needy countries. India's minister for Food and Irrigation, Mr Jagjivan Ram, added a new dimension to the subject by dwelling on the fact that the need for more water was as important and urgent as the need for fertilizers and that in fact fertilizer could not be employed efficiently unless sufficient water was available. He therefore proposed that a definite provision should be made for financial and technical assistance for an urgent programme of irrigation expansion in the food-needy countries and in his speech to the plenary he recommended in fact a separate irrigation fund along with a fertilizer fund.

earnest attempt

It must be admitted in fairness to the Rome conference that the most important and active of its three committees which was committee No. I, did address itself in an earnest and informed manner to the need and scope for and the problems and possiblities of international agreement and cooperation in raising farm production the world over in general and in particular in the food-needy developing countries with large or high density populations. The labours of the committee resulted finally in the adoption of a series of resolutions calling for international action to step up financial and technical assistance to the countries in need of such aid for increasing the availability of irrigation, fertilizers, pesticides and improved varieties of seed. The assumption was that the proposed world food council would help initiate and coordinate international efforts in these and allied areas.

It would be relevant to mention in this connection that the secretariat of the world food conference had suggested that special investment effort in agriculture of the order of $18 billion to 20 billion a year be undertaken in the developing countries with a $5 billion input of external resources, a figure four times higher than the current level of aggregate aid to the farm sector. The Rome forum, however, thought that even this estimate of needed resources was too conservative and said that much larger assistance would be required if the 20 per cent of all the world's people, who are living in its poorest parts, were to be saved serious deterioration in their already precarious standards of nutrition. Meanwhile the conference prepartory committee had calculated that new irrigation programmes covering 23 million hectares—the amount of land that could feasibly be put under irrigation over the eleven years between now and 1985—would cost an estimated $3,500 million per year. Another paper has referred to World Bank studies indicating that investment of more than $6500 million would be needed to increase fertilizer production by 11 million tonnes in developing countries to meet the projected demand for 1980-81.

agricultural research

Finally the financial implications and the long way developing countries have to go before their expenditure on agricultural research would get anywhere near to what was being spent for the purpose by developed countries was indicated in yet another document prepared by the conference secretariat. On the basis of an American study this paper estimated that, whereas the developed countries had spent $1324 million on agricultural research in 1970, the public expenditure in less developed countries on agricultural research totalled only $236 million in that year. Then followed the recommendation that, since the developing countries stood to make the greatest proportional gains from agricultural research and new technologies that came out of it, those countries should set themselves the target of increasing expenditure from the level of 0.25 per cent of Gross National Product in 1970 to 0.5 per cent in 1975, which would mean that their research expenditures should reach a level of $900 million per annum at the end of the period.

Large as these various figures might seem, it is not as if the world should despair of finding development finance for all these purposes. Right now the level of development assistance flowing internationally amounts to about $ 9 billion per year. This figure could perhaps be improved once the industrialized countries succeeded in gaining a grip over their domestic inflation rates, stablizing international monetary relations and liberalizing world trade. Meanwhile the new rich among the oil exporting countries could greatly augment aid funds since, even if only 50 per cent of their oil revenue surpluses were to be used for this purpose, it would mean the availability of an additional $ 10 billion per year for international food, farm and other development assistance. The OPEC countries have accepted in principle a general commitment to participate financially in international development aid programmes and many of them have been giving generously for this purpose both through bilateral agreements and through multilateral channels and institutions. If therefore proper and adequate follow-up action is taken on the Rome conference resolutions, there are reasonable prospects of the level of international farm assistance to food-needy countries being raised substantially and soon. This could perhaps be considered to be potentially the most significant and specific result of the Rome meet even though suggestions for setting up distinct funds for irrigation or fertilizer or even for farm aid generally did not go through immediately.

* *

In the course of the discussions on world food security the Rome conference toyed with the theme of stabilization of grain prices. Additionally, one whole committee had for its subject-matter the restructuring of world trade with a view to securing a fair deal for the food and primary exports of developing countries. The Group of 77 (devloping countries) was naturally keenly interested in the work of this committee but it became obvious very early that much of the agenda of this committee would be a non-starter. This was because the European Economic Community was quite determined to prevent the Rome conference being used as a forum for a debate on its farm policies. In an attempt at self-justification, the note circulated to the conference on the EEC's commercial policy in the agricultural sector maintained that the largest imports were in the agricultural sector, thereby making the Community the leading importer of agricultural products among the developed countries. It was explained that this proved that the Community's imports of agricultural products continued to run high regardless of all the complex machinery that had been set up to govern them. Given the interest the United States had in breaching the Community's agricultural protectionism, its delegation was not without sympathy for the efforts of the developing countries to pursue the question of freer trade in farm products. However, those national delegations with their interest in blocking any meaningful discussion of this subject at this conference were able to employ the argument that the multilateral trade negotiations under GATT would anyhow be placing primary emphasis on the removal or relaxation of restrictions on farm products. In the circumstances, the efforts of some of the developing countries, which considered themselves to be most seriously affected by the deterioration in their balance of trade due to the relatively low price obtained for their agricultural exports to secure some link between the prices of these exports and the prices of manufactured goods exported by developed countries were doomed to be a quixotic venture.

useful discussions

All the same, the Rome discussions on this subject were not entirely wasted. They certainly assisted in demonstrating the importance which developing countries dependent on agricultural or other primary exports attached to fair market opportunities in world trade. This has paved the way for this theme being more effectively pursued at the GATT negotiations. At that stage, the United States, with its declared objective of securing freer access for its own agricultural exports to the Community's markets, should be a powerful supporter of the cause of liberalization of international trade in the farm sector. Moreover, the OPEC countries, notably Iran, are firmly in favour of some link being established between the price of crude and the prices of manufactured goods which they have to import. They too should be useful allies of the developing countries in securing fair terms of trade and market
portunities at the GATT negotiations.

* *

Although the Rome conference
food had come soon after the Buchar
conference on population, it was in
resting to find that the link between
population problem and the food p
blem was not dwelt upon in Rome.
industrialized countries themselves w
chary of raising a controversy on w
was undoubtedly, a sensitive issue,
though the British delegation did r
some unpopularity, thanks to its lead
Mrs Judith Hart, the UK minister
Overseas Development, suggesting th
perhaps the food difficulties of the de
loping countries might at least be in p
of their own making. However,
Soviet Union and China, along with
few African and Latin American cou
tries, did choose to pronounce on
food versus population issue and dism
it as neocolonialist myth-making by
industrialized countries of the we
The Papal delegate to the conferen
addressing the plenary, naturally voic
the uncompromising opposition of
Vatican to birth control. The Pope hi
self held a special audience at the Va
can for the benefit of the delegates a
reminded them that "as far back as 19
on the occasion of our journey to Ind
we launched an appeal to the natio
asking that, by a truly substantial co
mitment, mainly in reducing expenditu
on arms, there be set up a fund with
aim of giving a decisive impetus to
advancement of the less well endow
sectors of mankind." He added th
"today the time has come for an en
getic and binding decision along
same lines."

The Pope's voice was not the on
one raised in exhortation to the co
ference to do its duty by its conscien
A more secular agency, viz, the Int
national Council of Voluntary Agenci
Oxfam, Christian Aid and Friends of

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Earth, also took upon itself the role of priest, preacher and propagandist. It brought out a conference newspaper titled PAN, which was as enterprising and impressive a piece of instant journalism as one might wish to see. This news-sheet kept up a running fire of abrasive comment on the laggards at the conference reminding them day after day why and what for they were there. With admirable impartiality PAN lashed out at the various governmental delegations for not being serious enough or not doing enough to save the hundreds of thousands of human lives which were being lost to hunger even as the conference committees were splitting hairs over draft resolutions. The full force of PAN's scorn, however, seemed reserved for the US delegation and particularly its leader Mr Earl Butz. Sample: "Despite American contention that grain for emergency relief is in short supply, Earl Butz, the head of the American delegation to the food conference, has flown to the Middle East to sell up to 100,000 tonnes of wheat to Egypt. *The Washington Post* reported Friday that Butz, the American secretary of agriculture, will also visit Syria on his grain-selling trip."

PAN, however, seemed to have departed from its scepticism, bordering at times on cynicism, when it used the phrase "Attack on Platitudes" in its caption to a report on the speech of the leader of the Chinese delegation. This provoked me to write the following note, which was duly published:

PAN in issue number 4, hailed the speech of Mr Hao of China at the plenary on Thursday as an attack on platitudes. But surely China's vice-minister for Agriculture and Forestry also perpetrated some platitudes of his own.

The sad truth is that politicians **must** mouth platitudes. They may know better, but they also know better than to act as if they know.

Mr Hao, of course, did not make the first political speech of the conference. Mr Henry Kissinger, that vastly political animal, had earlier made one too.

So did Mr Jagjivan Ram, India's minister for Food and Irrigation. He, in fact, anticipated Mr Hao, when he held colonialism responsible for the food crisis in India and elsewhere.

Mr Jagjivan Ram did not of course mention the words "food crisis in India." The reasons are obvious; at any rate, I need not enter into them here.

But he has remained true, nevertheless, to his reputation as a realistic politician and a practical minister and administrator.

By coming out clearly in favour of a world food security council, he has conceded by implication that India needs the security of such a system, This is in refreshing contrast to the more familar Indian, or rather, Indian government attitude that India can manage its food affairs on its own except on those occasions when the gods choose to play false.

With a third of its people eating at or below subsistence at all times and with its increase in population eating sharply into its increase in grain production, India certainly needs all the food security that any international system may provide.

The Indian interest in a world food security council is therefore both large and real. Whether it will get this council through this conference remains to be seen.

There has been plenty of support in this conference for the idea that there should be a large, strong and firm political will behind any international scheme for world food security.

Otherwise the scheme will remain a paper tiger. As at the time of writing, however, this conference does not seem to be ripe or ready yet for this or any other dramatic break-through towards commitments to action.

(*To be continued*)

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Bracing breeze from Balatona

S. P. Chopra

Mr S. P. Chopra, Senior Assistant Editor, *Eastern Economist*, was in Budapest for a week from November 10 to 16.

BUDAPEST—THE Paris of eastern Europe—looked like a resplendent bride on that Sunday evening when I had a chance to visit its historical places immediately after disembarking from the Malev aircraft. The view from Buda—the old city situated on a hill—was indeed gorgeously bright and enchanting with the placid waters of the Danube separating Buda from Pest (the new city). No wonder that more than seven million tourists visited this city in 1973 and during the current year their numbers may swell to 10 million i.e. equal to the total population of Hungary.

Before going round the industrial enterprises, I had the opportunity to visit the Balatona Lake which brought health and happiness to poet Rabindranath Tagore nearly four decades ago. In memory of his stay there, a beautiful bust of the poet has been installed on the bank of the Balatona Lake and it has now assumed the status of a shrine for all Indian visitors. A walk on the Tagore Street with the bracing breeze from the lake hitting me in the face brought to mind the joy and happiness which the poet must have felt in the serene atmosphere prevailing there.

hectic time

The euphoria lasted hardly 24 hours when a series of meetings commenced in which an attempt was made by me to understand Hungary of today. The statistical Pocket Book of Hungary gave a plethora of data but it was the face to face discussions in a number of state-run enterprises which gave a real feel of the country which had adopted socialism as the national philosophy more than 25 years ago. A new generation in Hungary is currently coming up which has been educated and trained under the new system. As a journalist from a country which had a mixed economy, I had a number of questions to ask. Since I saw in Budapest and around a number of indicators of Hungary's affluence, I was keen to know the basic driving force which had placed it among the moderately rich countries of the world.

The very first meeting was arranged with Dr. Laszlo Szabo, managing director of the Hungarian Institute for Market Research. This institute had hosted the 26th ESOMARWAPOR Congress in September last year and researchers from both the socialist and the non-socialist countries had participated in it. Dr. Szabo explained that his institute's services had been requisitioned not only by the Hungarian business enterprises but some of the foreign companies also which wished to market their products in that country.

institution's activities

Established in 1967, the institute had completed about 200 studies. Among the topics analysed were: (i) quality of shoes marketed in Hungary, (ii) timing of shops, (iii) pricing policy (iv) games for children (parents' choices), (v) tourists and their influence. It was apparent that the Hungarian enterprises had realised the importance of the whims of the consumer. As incomes of families increased, they went in for quality products. The enterprises which failed to gauge the responses of the consumer were bound to face disaster through accumulated inventories. No longer the enterprises could dare dump whatever goods they liked on the market. They had to bear in mind what the people wanted to buy.

The consumer in Budapest—I spent most of my time in that city—got the best of both the worlds. The shops were fully stocked with consumer goods both from the socialist and the non-socialist countries. Cosmetics from France, scotch whisky from Britain, leatherware from Italy and a host of other products from different countries were available in the super markets. Of course, the goods from the non-socialist countries were a little more costly but those who wanted to have them were not denied the opportunity. In general, the people in Budapest looked well-fed as well as well-dressed. The only complaint to be heard frequently was in regard to housing. Young couples who were keen to live independently had either to rest content with limited accommodation or to share living space with parents (which obviously they did not like).

advertising returns

A visit to HUNGEXPO, the advertising agency of the Hungarian Foreign Trade Office dealing with publicity and fairs, was equally rewarding. Traditionally, the socialist economies in eastern Europe had scoffed at the idea of advertising and publicity which they described as innovations of the capitalist business enterprises to cheat the consumer. It seems that with rising incomes in Hungary, the state enterprises have been keen to mop up the purchasing power of the people with consumer products displayed in an attractive manner in shop windows. Many a couple in the streets of Budapest may be seen window-shopping after closing time in the same way as young people in Frankfurt, Paris and London make up their minds for future purchases after examining the wares in the windows of the shops. Moreover, the use of neon-signs in Budapest to publicise consumer products is widespread. Even though Hungary has some of its own delicious drinks, the people have increasingly taken to Coca Cola and Pepsi Cola.

In Hungary, HUNGEXPO makes use of the press, the radio and the TV for "Public relations" on behalf of the domestic as well as foreign enterprises. There are about 30 dailies which have a total circulation of 2.5 million copies. There are a number of magazines as well. Their combined circulation runs into millions. Seven of these dailies are published in Budapest. There is hardly a Hungarian family without a radio while the television subscribers number 2.1 million.

Regarding the ethics of advertising and publicity, Dr. Gusztar Hollo, managing director of HUNGEXPO explained that the element of exaggeration was ruled out. The advertising campaigns were designed to give out the "true facts" about a product without any attempt to cheat the consumer. Talking in the same vein, Mr Istvan Kaszas, head of the Fairs and Exhibitions unit, described the use of publicity for public relations with prospective buyers. He said that publicity in Hungary had certain special characteristics. For example, it was forbidden to publicise goods which were not available in the market. There was strict control on the quality of products. An advertiser could be prosecuted for publicising wrong information about a product. Publicity in foreign countries was undertaken by HUNGEXPO on a wide scale in order to acquaint the people there with the possibilities of trade. Incidentally, he is planning to organise an exhibition early next year in New Delhi to acquaint Indian clients about the goods which the Hungarian enterprises are keen to market in our country.

Under the leadership of the USSR, all the socialist countries are currently engaged in the fabrication of computers of various sizes. In Hungary, it is Videoton—an electronics enterprise manufacturing electronic components, radio sets, television sets and mini computers—which has taken on the challenging task of manufacturing R-5 R-10 and R-15 series in computers. A visit to the Videoton factory in Szekesfehervar was extremely educative as the engineers there had developed expertise for assembling third generation computers. In association with other socialist countries, Videoton has developed extensive knowledge about software as well. It is keen to enter the Indian market and is planning to exhibit its wares in our country next year.

computer technology

Dr. Zoltan Martan, director of Videoton, expressed the hope that soon cooperation between our two countries will commence and that Hungarian computers and peripherals will be found to be comparable to the best in the world and competitive as well. He said that 16,000 workers were employed in Videoton and the range of products manfactured was being extended every year. Bulk of its output was being exported.

Mr Laszlo Teke, managing director of Tungsram (United Incandescent Lamp and Electrical Co. Ltd.), listed the companies in this country with which collaborative units had already been established. Electric Construction and Equipment (ECE) at Sonepat and Hindustan Machine Tools (HMT) at Bangalore (for vacuum technical machinery) are two outstanding enterprises with which cooperation has been highly successful. Mr Teke expressed great satisfaction with the technical capabilities of HMT and said that Tungsram and HMT would in the first round make bulb making machinery for those Indian units which were at present using outmoded machinery, and in the second round there was a possibility of exporting this machinery to third countries as well. For this purpose, Indian technicians were receiving training at the Budapest unit of Tungsram. The Tungsram plant in Budapest dated back to the last decade of the last century when it started the manufacture of incandescent lamps on the same principles on which the Edison lamp was made. He explained that the name Tungsram was derived from Tungsten and Wolfram—the elements from which the filament was made. Tungsram has started the production of electronic components and television tubes and currently 17 per cent of its total production consists of radios, television tubes and semi-conductor devices. TV picture tubes are exported to this country by Tungsram. Also, today Tungsram is the biggest manufacturer of the vacuum technical machinery. In lamp manufacturing its rank is 6th in the world.

bulb-making machinery prices

Mr Teke also said that the prices of bulb making machinery had risen in the past two years because the raw materials prices were on the increase. He gave the example of tungsten ore whose prices had multiplied five time during the past one and a half years.

At the Hungarian Chamber of Commerce, a reference was made by Mr Janos Kende to the first meeting of the Indo-Hungarian Joint Commission for economic, scientific and technical cooperation held in New Delhi from October 28 to November 2, this year. Mr Kende was optimistic about the successful execution of the collaborative efforts agreed upon by both the countries. He made a pertinent reference to the cooperation in the fields of microwave equipment, aluminium, hydro-power plants and the inca desent bulb making machinery. The are of future collaboration, he said, had als been identified in the chemical ar pharmaceutical industries. There wa also a distinct possibility of increasin imports of non-traditional goods fro this country.

medical instruments

A meeting with Mr Imre Kiss c MEDICOR WORKS proved fruitfu because it gave me an opportunity to se the wide range of medical instrument and machinery currently being manufac tured by this enterprise. Mr Kiss sai that Medicor Works assumed an importan position among state enterprises in 196 by the merger of eight medical instrumen factories. Besides the manufacture an development of medical instruments, thi enterprise also undertakes the plannin and equipping of hospitals and healt institutions with all their requirements In its manufacturing efforts, it has sough collaborations with firms in the USA Canada, the Netherlands and West Ger many. The research and developmen wing of this enterprise consisting of abou 500 persons has close contacts with promi nent personalities of Hungarian medicine Included in the list of Medicor equipment are X-ray machinery, automatic lun ventilators, hypodermic needles, ga sterilizers and various kinds of stee instruments.

It was interesting to listen to Mr Karoly Herczeg, secretary, Central Council of Hungarian Trade Unions, expound his thesis that the trade union movement was a necessity even in a country where the rulers came from the ranks of the workers and the peasants. In order to ensure increased benefits to workers, the trade unions in Hungary played a dynamic role. It was through their efforts that workers were able to obtain an extensive range of fringe benefits.

Town planning was the theme of

The chairman of the council of ministers of Hungary, Mr Jeno Fock, visited this country for six days from November 21 to 26. He was accompanied by his wife, Dr Gyula Horgos (minister of Metallurgy and Machine Industry), Dr Istvan Hetenyi, (under-secretary of state to the national planning office) and Mr Pal Racz (deputy minister of Foreign Trade). He had discussions with the Prime Minister, Mrs Indira Gandhi, the External Affairs minister, Mr Y.B. Chavan, the minister of Industry and Civil Supplies, Mr T.A. Pai, and the Planning minister, Mr D.P. Dhar.

Speaking at a civic reception in the capital, Mr Fock said that Hungary and India had similar views on all major world problems. Both had fought for peace, security, human progress and the international detente.

An interesting outcome of the discussions between Mr Fock and Mr T.A. Pai was the brightening prospect of the two countries setting up joint ventures in third countries besides extending further the scope of trade between the two countries.

scussions with Dr. Pal Pongracz, chief rchitect for city planning and architec- ıre of Budapest city council. He conce- ed that Budapest suffered from housing hortage though he hastened to add a ew statistical details about the pace at hich new apartments were coming up. Ie made two significant points. First that he rents of these apartments were low neaning that amortisation took up to 0 years. Second that no new industries vere being permitted in Budapest to save he city from pollution. On the other and, incentives were being provided to nterprises for moving away from the apital.

Freedom of the press in Hungary was he central topic of discussion with Mr stvan Darvasi, chief editor of Magyar Hirlap and a member of the National Assembly. The upshot of his exposition was that the Hungarian press enjoyed considerable freedom and that it had been instrumental in rooting out a number of evils from society. The press, he said, was not afraid to spotlight evil—wherever it existed.

A visit to our own embassy in Buda was a pleasing experience as it afforded an opportunity to compare notes with the Ambassador and her staff. The only thing which irked me was that the External Affairs ministry had not so far despatched a photograph of the new President. The embassy, however, put up a big flower vase to cover, though not completely, the picture of Mr V. V. Giri which still adorned the central hall.

useful contacts

The State Trading Corporation (STC) has a small office in Budapest which is headed by a commercial secretary. This office has in the past few years established useful contacts with government and public authorities, chamber of commerce and foreign trade enterprises. It has earned a good name for itself by providing pre-sale and after-sale services to Hungarian buyers. However, during the last four years, the volume of trade un- lerwritten by this office has been on the decline as shown in the table alongside.

The STC office has done some praiseworthy work in identifying the demand for non-traditional exports from our country. The negotiations for the sale of such items as air compressors, peanut candy, salted peanut and cashewnut and dry batteries are at an advanced stage.

Besides the impressions gathered through personal discussions, an analysis of the economy of Hungary has been made on the basis of published data. The following comments are based on the material made available to me at Budapest. It gives a comprehensive picture of the Hungarian economy today.

The most appropriate tool for measuring the standard of living of the people of a country is its per capita income which in Hungary currently exceeds $1000. The fact that per capita income in 1960 was only a little more than $400 points to the rapid strides which its economy has taken during the last 14 years. According to latest statistics, the average annual growth rate of national income in Hungary between 1966 and 1973 was more than six per cent as against the rate of rise of only two per cent in the period between the two world wars. These figures clearly demonstrate the significant improvement which has taken place in the level of living of the average citizen.

national income structure

The structure of national income in Hungary indicates reliance on industrial activity up to 56 per cent as against the contribution of agriculture up to only 19 per cent. The remaining 25 per cent of the national income is contributed by tertiary activities such as commerce, transportation etc. The transformation in the economy of Hungary which has taken place since 1950 is evident from the shift in favour of industry. For example, in 1950, 52 per cent of all the wage earners were employed in agriculture while only 19 per cent of them were engaged in industry; in 1972, however, 37 per cent of the workers were employed in industrial activity while only 25 per cent were engaged in agriculture. Again, the utilisation of national income indicates a heavy emphasis on savings and investments. Currently, only three-quarters of the national income are consumed while the fourth quarter is saved and invested for further development. The socialist structure of the economy is demonstrated by the contributions made by different sectors. No less than 76 per cent of the national income is generated by the public sector and 22 per cent by the cooperatives. The private artisans, traders and land-owners contribute no more than two per cent of the national income.

The widening of the industrial base during the last 25 years has not only resulted in increased supply of essential products to the domestic economy but has also resulted in sizeable increase in foreign trade. Being a relatively small country in the centre of Europe both in area and population it has understandably laid great stress on the development of a few selected industries/ wherein it has developed technical know-how and expertise. Among its major industries are chemicals, telecommunications, vacuum engineering, precision engineering and road vehicles production. In 1972, Hungary produced 26 million tonnes of coal, two million tonnes of crude oil, 4.1 million cubic metres of natural gas, 3.3 million tonnes of steel and 15 million kwh of electrical energy. Bearing in mind the small size of the population the production data point to a creditable performance on per head basis and give Hungary a no mean position in the international scale.

The new economic mechanism introduced in 1968 brought about a substantial change in the productivity of labour which in 1972 improved by more than six per cent as against four per cent only in the earlier years. The credit for this achievement belongs to the measures taken by the enterprises to generate increased interest among workers through incentives for improved performance.

change in outlook

The reforms in economic management initiated in 1968 brought about a change in outlook of state industrial enterprises which resulted in increased decentralisation and freedom in the sphere of decisions relating to both consumption and investment. The enterprises were encouraged to inculcate self-reliance and were urged to expand their activities both through their own resources and through bank credit. Whereas before the introduction of the new economic mechanism only three to four per cent of the investment were made by companies on their own

STC : Trade with Hungary

(Rs. lakhs)

	1970-71	1971-72	1972-73	1973-74
Exports to Hungary	153.25	110.75	86.77	99.71
Imports from Hungary	78.58	69.91	135.83	27.83
Total	231.83	180.66	222.60	127.84

initiatives, at present this figure has risen to as much as 65 per cent.

The impact of speedy industrialisation has been witnessed in growing urbanisation of population. Many villagers have moved to the towns to take advantage of improved wages. In 1949, only 36 per cent of the population of Hungary lived in towns but in 1973 this proportion had risen to 45 per cent. What is more, the number of women workers has steadily increased. In 1973, 42 per cent of all wage earners were women. The shift to urban areas and the employment of increasing numbers of women in enterprises has led to an improvement in family earnings which in turn has influenced the structure of consumer consumption.

One of the secrets of the success of the Hungarian economy is the intensive use of labour force. The number of active wage earners equal about five millions which is nearly half of the total population of the country. The number of dependents is only a little more than 10 per cent of the total population which is certainly a remarkably low proportion even in the international scale.

stable economy

The society has been able to enjoy the fruits of its hard labour because the economy has been made stable through ever growing production and also through strict control on the behaviour of retail prices. Not that prices in Hungary have not risen but the rate of rise has been modest. In recent years, the average annual increase in retail prices has been no more than two per cent.

Apart from the cold statistics regarding national income, saving, investment, wages, prices etc. there is another way of looking at the relative affluence of the families in Hungary. This relates to the acquisition of modern status symbols such as refrigerators, television sets etc. In Hungary at present there are 2.1 million television subscribers which means that every second family in that country is covered by this new mode of education and entertainment. The acquisition of other consumer durables is on the increase as shown in the table alongside.

The major crops in Hungary are wheat, maize, fruits (particularly grapes), poultry, pigs and cattle. In the case of wheat yield per hectare rose from 12.4 quintals in 1952 to 30.7 quintals in1971. In 1972, the yield was slightly higher at 31 quintals per hectare. The Hungarian experts in agriculture are of the view that yield in wheat is likely to be stabilised around 30 quintals per hectare. Equally important is the maize crop in Hungary because 70 per cent of the conventional seed fodder grain used in animal husbandry consists of this crop. As in the case of wheat, productivity of land under maize has also improved during the past decade. In 1962, for example, average yield in quintals per hectare was 25.1 which rose to 35.4 in 1971. Despite this sizeable increase in production of both these crops no export is made because both these crops are used internally.

Hungarian wine export has seen phenomenal increase in recent years, thanks to a steady increase in the output of both fruits and grapes. In 1950, total production of fruits was around half a million tonnes which rose 1.2 million tonnes in 1971. Similarly in the case of grapes production rose from a little more than 600,000 tonnes in 1950 to more than 700,000 tonnes in 1971. Grapes are mostly turned into wine which results in the earning of substantial volume of foreign exchange through exports.

Cattle breeding along with pig and poultry breading constitutes a major part of agricultural activity in Hungary. In this field, the most modern technology is utilised. A genetical breeding technology, animal hygiene and fooder system combined to yield faster output of broiler chicken and eggs. The total output of eggs in 1960 was 1850 million which nearly doubled itself in 1971 to 3475 million. Similar progress was recorded in the case of cattle and pig breeding. Consequently, more than 90 per cent of Hungrian food requirements including meat are met by domestic agricultural and food industry. The list of agricultural products imported from abroad include cocoa, coffee, tea and citrus fruits.

Mechanisation has been introduced in Hungrian agriculture in a big way. Horses and oxen have been replaced by tractors. The cultivation of land is completely through tractors as most of the land has been converted into big farms either through state take-over or coop ratives. In addition to increased mechar sation, chemical fertilisers are increasin ly used so as to increase productivity land. The amount of fertilisers used one hectare of land under the ploug garden, orchard or vineyard was mo than 170 kg.

The foreign trade of Hungary is cu rently about 22 per cent of its nation income. This shows heavy dependenc of this country on commerce with othe nations. Whereas its 10.4 million peop make up only 0.3 per cent of the popu lation of the world, its foreign trade equivalent to a little less than one pe cent of the world trade. Understandab Hungary has concentrated its attentio on a few products and on a few indu tries so as to remain competitive in th international markets. This has bee possible because of the stress on inves ment in research.

Between 1950 and 1970, Hungaria foreign trade increased its volume b more than seven times indicating a rat of growth of more than 10 per cent pe annum. In 1972, the value of impor was $3154 million while exports wer placed at slightly higher at $3292 millio Out of the total turnover of $6500 mi lion in 1972, the trade with nor socialist countries was more than $2,00 million.

About 850 major Hungrian enterprise contributed towards its export earning However, the bulk of export productio was limited to 340 industrial entreprise which manufacturered 96 per cent of a the commodities marked for export. Th change in the economic system in 1968 gav considerable independence to companie dealing in foreign trade. They have acqui red the right to decide for themselves a to how to structure their production an allocate shares to the domestic and th foreign markets. They have enjoyed th freedom to decide regarding collaborativ agreements with foreign companies. N less than 100 enterprises have acquire this right of independent foreign trade.

Stock of Consumer Durables
(At the end of the year) (Per 1000 populatio

	1960	1965	1970	1971	1972	1973
Household electric refrigerators	4	25	103	126	149	173
Household electric washing machines	45	114	179	191	201	211
Household electric vacuum cleaners	11	45	99	111	122	133
Passenger cars	3	10	23	29	33	39
Motorcycles, mopeds, scooters	24	39	59	65	67	70
Wireless sets (a)	222	245	245	245	245	243
Television sets (a)	10	82	171	188	201	211

(a) number of subscribers.

CESC

the perspective today

EXTRACTS FROM THE REVIEW BY THE CHAIRMAN, MR. SACHINDRA CHAUDHURI AT THE 77TH ANNUAL GENERAL MEETING HELD ON 18TH NOVEMBER, 1974, AT VICTORIA HOUSE, CALCUTTA.

POWER SUPPLY IN THE CALCUTTA AREA

It may be observed from what has been stated earlier that my forecast in my Review last year has to a certain extent, come to be a reality so far as the decline of output of our stations is concerned. This apprehension had been with the Company ever since the extra strain had started to be imposed on the Company's plants. If the Government Agencies could shoulder the responsibility of filling in the gap in the supply of power in the immediate future, the prospects of supply would have presented a different picture altogether. From our experience and from the trend of things, it appears that some medium and long term programmes designed to bring about at least a partial solution to the power problems in the Calcutta area cannot be delayed. As already indicated Government is seized of the problem and remedial measures are under Government's active consideration. In this regard your Company will render such assistance and co-operation as it is capable of. While considering power supply and shortage I would like to thank all our Consumers for their understanding of our problems and their patience and forebearance.

THE TARIFF QUESTION

The Clear Profit as computed under the Electricity (Supply) Act, 1948, was some Rs. 115 lakhs short of the Reasonable Return of Rs. 222 lakhs. As stockholders will be aware, this serious shortfall, relieved to the extent of Rs. 105 lakhs by the withdrawal, with Government's approval, of that sum from the Contingencies Reserve Fund, was due to the continued postponement, at Government's request, of the implementation of a comprehensive review of the Company's rates designed to bring the Clear Profit more into line with the Reasonable Return. Government's concurrence received only in December 1973 effectively extended to the increase of our industrial rates alone. Such concurrence also allowed effective increase of rates other than for lights and fans from January, 1974. The result was that our revenues benefited during the year from our rate revision to the extent of barely Rs. 115 lakhs. A somewhat modified version of the proposed increase in our rates for lights and fans has been implemented with effect from April of this year—several months after these proposals were first put to Government. In the meantime, our costs have continued to rise so that, despite these recent increases in our rates, there will, I fear, again be a shortfall in the current year. I foresee, yet a further increase in our rates to take effect in the year 1975/76 is practically inescapable.

OPERATIONAL RESULTS

	1972/73	1973/74
Sale of Electricity in millions of Units	2785.0	2709.6
Maximum Demand met in M.W.	538.0	514.0

FINANCIAL RESULTS.

	1972/73 Rs. lakhs	1973/74 Rs. lakhs
Gross Revenue	3716.7	3922.1
Profit after taxation (inclusive of Contingencies Reserve withdrawal)	110.2	58.2
Additions to Fixed Assets	328.7	313.9

(N.B.—This statement does not purport to be a report of proceedings of the Annual General Meeting referred to above)

The Calcutta Electric Supply Corporation Limited
(Incorporated in England)

TRADE WINDS

Life Insurance

WHILE GIVING the highlights of the performance of the LIC for the year ending March 31, 1974 at a press conference, Mr K.R. Puri, chairman of the the Life Insurance Corporation of India, observed that in spite of the difficult conditions prevailing, the LIC has shown creditable performance during the year. Not only the protection of life insurance was further spread much wider in the shape of higher new business but it has also achieved the highest ever percentage increase in mobilising the savings and channelising them to the various nation-building activities.

The new business of the Corporation reached a high figure of Rs 2586 crores during the year as against Rs 2075 crores recorded in 1972-73, showing an increase of 25 per cent. The healthy feature of the new business growth, Mr Puri said, was the continuingly increased contribution made by the Group Insurance schemes covering 668,957 lives for Rs 662.14 crores under 638 schemes. Among the highlights were a Savings-cum-Insurance Scheme for 101,000 teachers and employees of secondary schools in Uttar Pradesh, a similar scheme for 103,000 members of the police force, provincial armed constabulary and fire services in UP.

As on March 31, 1974, the total business in force amounted to Rs 10849 crores covering over 18 million policies as against 16.8 million policies covering Rs 9325 crores as at March 31, 1973. Under the group & superannuation schemes also 1.6 million lives have been covered. The Corporation continued its efforts to pentrate into the rural areas vigorously during last year achieving the rural business amounting to Rs 498 crores as against Rs 441 crores in the previous year.

The total income of the Corporation showed an increase of Rs 90 crores. This includes Rs 454.88 crores of premium, Rs 166.35 crores of interest, dividend, rent and Rs 13.11 crores of miscellaneous income. The increase in premium income was 16.72 per cent which is the highest percentage ever recorded by the Corporation and it compares favourably with 15.12 per cent increase shown during 1972-73.

The amounts invested in socially oriented investments stood around Rs 1041 crores as against Rs 895 crores during the previous year. This brings the socially oriented investments to about 38 per cent of the total investments which stood at Rs 2728 crores.

The lapse ratio continued to be the same as that of last year i.e., 5.3 per cent. This position appears to be satisfactory taking into account the impact of inflation and increasing cost of living. The renewal expense ratio of the Corporation for the year 1973-74 was 14.99 per cent as against 13.73 per cent for 1972-73 and 14.36 per cent for 1971-72.

As many as 374,000 claims amounting to Rs 107.36 crores were settled during the year under review. This compares favourably with 3.62 lakh claims for Rs 99.58 crores settled during the year 1972-73.

Central Loans Subscribed

Subscription lists for the three central government loans for a total notified amount of Rs 175 crores—namely 5.25 per cent 1978, 6 per cent 1988 and 6.25 per cent, 1997—were closed on November 22, within hours of their opening on being fully subscribed. The Reserve Bank announced that all subscribers will receive full allotment.

Indo-Japanese Joint Committee Meet

The joint communique issued at the end of two-day Indo-Japancese business cooperation joint meeting held at Jaipur recently, stressed the need for reshaping their economic and commercial relations according to the needs and capabilities of both the countries. The two-day meeting, attended by top industrialists from both the countries, discussed at length, the ways of strengthening the busines and industrial relations between India and Japan and overcoming the impediments. Leaders of India and Japanese delegations stated at a joint press conference later that as a result of this meeting understanding in both the countries had increased and they had come closer.

It was agreed that the work of the joint committee had gained new importance and its activities must be so designed as to effectively meet the new challenges. The consensus at the meeting was that the new direction of policies pursued by the two countries were such as to help tide over the immediate difficulties, while supporting the long-term objective. In this connection the efforts of this country to improve agricultural production generally, and food production in particular, as also the role of Japan as a partner in international cooperation, were duly noted and appreciated by the respective sides. It was suggested that the possibilities of collaboration in the fields of agriculture and marine products should be kept in view and specialists should be associated with the joint committee.

Mr D. P. Chattopadhaya, union minister for Commerce stated that development taking place in and outside Japan had opened new avenues for gre ter ties between India ar Japan. In his address to t committee read out in h absence, he pointed out th sooner or later it would necessary for Japan to co centrate more on labour-sa ing, non-polluting, low-energ and low-resource consumin industries. There was scop for cooperation between Japa and India to the mutual a vantage of both.

Indo-Hungarian Cooperation

A Memorandum of Unde standing was signed on Nover mber 18, between India ar Hungary for the supply of complete coke oven plant l India. Mr Mantosh Sondh secretary, department of Hea Industry, ministry of Industr and Civil Supplies, signed c behalf of India and Dr. Jozs Kocsis, Hungarian depu minister for Metallurgy ar Machine Building Industr signed on behalf of the People Republic of Hungary. Th was in pursuance of the dec sion taken at the meeting c the Indo-Hungarian Joi Commission held in New Dell between October 28 ar November 1, 1974. The were detailed discussions be ween India and Hungary c India supplying the coke ove plant on a turn-key basi The Hungarian delegation ha earlier visited the vario Indian steel plants and tl Heavy Engineering Corpor tion at Ranchi. They we highly impressed by the techr cal competence achieved l India in the setting up ar operation of steel plants.

Subject to mutual agre ment being reached on techr cal and economic details, tl project would be executed l the Engineering Projects (Indi Limited, a public sector unde taking under the departme of Heavy Industry. Tl possiblilities of executi ventures in third countri jointly by the Engineering Pr jects (India) Limited and tl corresponding Hungarian org nisation were also discusse It was felt that India cou supply are furnaces and co tinuous casting machines f mini steel plants, besides machine tools and other equipment for general engineering workshops and foundries.

The Prime Minister of Hungary, Mr Jeno Fock, who was in India recently, indicated that India and Hungary would soon conclude an agreement to float joint ventures for establishing alumina plants in West Asian countries like Kuwait and Iran. Mr Fock pointed out that the two countries had considerable potential to exploit their resources in this field and negotiation to promote profitable collaboration were now at an advanced stage. India and Hungary also decided to diversify the trade and commerce between the two countries on a "massive scale" and further expand technical cooperation in several fields. Both sides have agreed to exchange trade delegations shortly and place their relations on a more mature basis. These decisions were taken at a two-hour meeting of the delegations of the two countries. The Hungarian Prime Minister Mr Jeno Fock, was assisted by his minister for Metallurgy and Industry and the deputy ministers for Foreign Affairs and Foreign Trade.

Trade with GDR

India and German Democratic Republic recently signed a protocal providing for a trade turnover of Rs 100 crores between the two countries this year. The protocol was signed at the conclusion of annual trade talks in New Delhi. The protocal covers a wide range of non-traditional exports from India such engineering goods, consumer goods including readymade garments and leather products, machine tools, hand tools, knitting machines and sanitary fittings, besides traditional commodities such as deoiled cakes, cashew kernels, tea, coffee, cotton textiles, jute manufactures and tanned and semi-tanned hides and skins. Imports into India include fertilisers, rolled steel and steel products, capital goods, machine tools, printing machinery, photo goods, organic and inorganic chemicals and optical and scientific instruments.

Leather Exports

Mr G. Blotteau, President-General of ERAM—the largest footwear manufacturing concern of France—and Mr Hellemaa, Managing Director of Friitala—one of the largest manufacturers of leather and leather garments in Finland—who were here last week on business-cum-study tours, have expressed the view that India could step up her exports of leather and leather goods significantly as the Indian producers were not only quality conscious but also had access to large raw material resources.

Mr Blotteau, who thinks that Indian shoecraft is nothing but excellent, has offered to an Agra manufacturer participation in equity in a new enterprise with a capital of Rs 50 lakhs, to the extent of 40 per cent. He has also placed a trial order on this manufacturer worth Rs 750,000 to be executed in six to eight weeks. The equity participation, which will bring in technical expertise as well, will help in improving management skills,designing talent, testing and research feacilities and procurement of materials of consistent quality.

After the trial order is executed, the Agra unit would expand its production of shoe uppers for export to France to the extent of 6,000 pairs per week by February next year, 12,000 pairs per week between September and October next year and 25,000 pairs per week from February/March, 1976, onwards. The ultimately expanded production will bring in nearly Rs 4 crores worth of foreign exchange annually. Subsequently, it is proposed to produce for export to France semi-finished shoes without soles. When the leather soling material improves, the French concern will start buying even finished shoes from the Agra manufacturer.

In a lecture delivered to leather technologists and the staff of the State Trading Corporation, Mr Hellemaa observed that the Indian leather goods were coming up in quality, but still there was much scope for improvement. To achieve first rate quality worthy of competing in the world market, Mr Hellemaa strongly recommended import by India of modern testing equipment and also quality chemicals. This, he stressed, should be treated as a long-term investment.

Mr Hellemaa also emphasised the necessity for long-term planning for the growth of India's leather industry. The long-term planning, he said, could be divided into four broad periods: Production planning to cover the immediate future upto two years; short-term planning that would cover five years; middle-term planning that could be projected over an eight-year span and futurological planning that would take us to 25 years and beyond. He said that perfect coordination between the three equally important factors in the leather industry, i.e. designing, marketing and production, were absolutely essential to increase India's exports of leather garments, leather goods and shoes.

Synthetic Threads for Leatherware

India is one of the largest manufacturers of leather goods in the world, but till recently the country was exporting mostly raw hide. In order to maximise foreign exchange earnings, the government has decided to encourage the export of finished leather goods as opposed to raw hide. With the availability of cheap labour we are able to offer the goods at a competitive rates. However, leather goods exported by this country have the drawback of not using synthetic threads which afford greater durability for leather goods than any other stitching material. These threads are rot-proof, being resistant to mildew and bacteria.

At a recent survey conducted by Modi Thread Mills Limited at Agra to study the demand for synthetic threads for leather stitching, local shoe manufacturers stressed the necessity for developing such a thread in the country. They complained that they were often unable to meet their export orders due to the non-availability of synthetic thread for stitching which was insisted upon by western importers. The survey was conducted by Modis along with their collaborators, Herberlene of West Germany.

Herberlene have shown interest in the import of synthetic thread from the plant proposed to be set up at Modinagar. The plant will have an initial yearly production of 300 tonnes of synthetic thread.

Tax Collection

Collection of direct taxes for the first six months of the current financial year has shown an increase of nearly Rs 57 crores over the collection made during the corresponding period last year. Of this the increase in income-tax and corporation tax yielded Rs 55.98 crores and in the wealth tax Rs 1.11 crores. The details are given in table below:

Accounting Machines

Blue Star with its principals, M/s Buromaschinen-Export GmbH, Berlin, German

Collection of Direct Taxes

(In crores of rupees)

	Income-tax and Corporation tax	Wealth tax	Gift tax	Estate Duty
April-Sept 1974	477.88	18.42	1.86	3.51*
April-Sept 1973	421.90	17.31	1.99	3.48

*This does not include collection of Estate Duty during September 1974 in Andhra Pradesh.

Democratic Republic, arranged a series of exhibitions of Daro system in Bombay, Madras, Calcutta and New Delhi. Daro systems is already in use in over 70 countries around the world, covering a diverse range of applications for industry, banking, commerce, insurance and research. These range from simple adding/listing units to programmable accounting, invoicing and data processing systems.

Daro systems are not designed as substitutes for manual work, but are designed to assist and streamline human effort, thus leading to greater efficiency and profit. Manufactured in and exported from GDR, these systems are backed in India by Blue Star's total systems service which includes the study of individual problems, designing suitable systems as solutions for the problem, installation and programming of the systems training of operators, commissioning and initial supervision, free quarterly service for the first 12 months and fixed-price annual preventive maintenance contracts thereafter. The Systems are available on rupee payment, at PEC controlled prices. The exhibition was held at Akbar Hotel, Chanakyapuri, in New Delhi from November 26 to 29, 1974.

International Dairy Congress

India is the first developing country to host the International Dairy Congress being held in New Delhi from December 2 to 6. Disclosing this at a press conference recently, Dr V. Kurien, chairman of the National Dairy Development Board, stated that over 1,500 dairy experts from all over the world were expected to attend this session of the Congress. Besides, 11 UN agencies would also participate in the conference. The Congress would be inauguated by President Fakhruddin Ali Ahmed. FAO chief A.H. Boerma will be one of the distinguished speakers at the opening of the Congress technical session. Congress will discuss the challenges and future of modern dairying and is of special significance since the theme of the conference would be "Dairying as an Instrument of Social and Economic Change". It would thus focus attention on the deep and far-reaching implications of the dairying in the not-so-developed countries.

Loans by Non-Banking Compamies

The government has appointed a study group under the chairmanship of Dr K. N. Raj to go into the working of non-banking financial companies. This was disclosed by the deputy minister for Finance Mrs Sushila Rohtagi in the Lok Sabha recently. She was replying to the debate on the Reserve Bank of India (Amendment) Bill. She stated that the government would take suitable action regarding these can panies in the light of the report. She also informed the House that the Reserve Bank was drawing up a uniform legislation with regard to chit funds and it was expected to be ready soon. In the meantime, the centre had advised states to enact legialstions for controlling the activities of chit funds on the model of those existing in some states. She added that it was the policy of the government to see that private credit agencies such as hundies and multanies were eased out of business within the next two years. The present policy was to limit their activity to the existing level. The proposed bill would also enable the Reserve Bank to look into the affairs of non-banking financial companies.

SDR Drawjngs

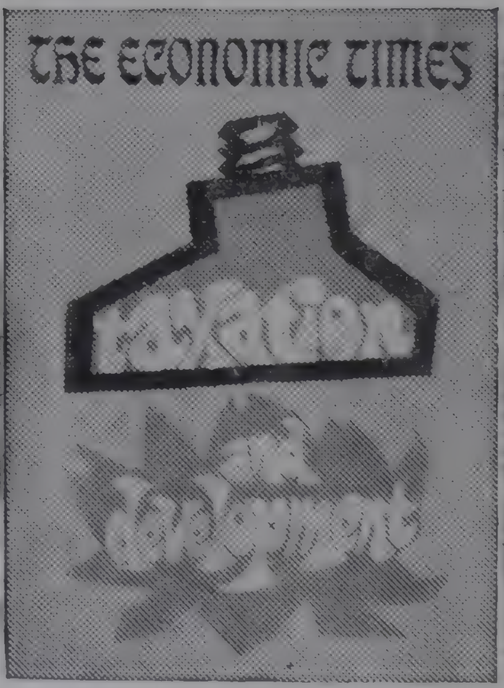
The government of India has drawn in October, 1974 the equivalent of SDR 200 million (Rs 193.86 crores) under the oil facility of the International Monetary Fund. The drawing is repayable over a period of 4 to 7 years and carries an average rate of interest of about seven per cent, Mr C. Subramaniam, union minister for Finance told the Lok Sabha recently.

TAXATION, INFLATION AND DEVELOPMENT

The Economic Times Annual this year turns the spotlight on problems of taxation, inflation and development. Experts examine various aspects of direct taxation and assess the impact of tax policies on investment, development and income distribution.

There are special studies bringing out the differences in personal taxation as between countries, the shifting of corporate taxation, the marginal utility of income and progression in taxation, problems of agricultural taxation, tax exemptions and concessions, inflation, tax evasion and black money.

An entire section is devoted to the concept of the value added tax and its relevance to developing countries like India.



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COMPANY AFFAIRS

n Doldrums

HE STOCK market continued be in doldrums during the ast week in the absence of esh incentives and lack of ipport induced by political nd economic uncertainties. perators were reluctant to nter the market in a g way as they felt that the ividend curb had come to ay. Apart from continued ck of institutional support, ne Reserve Bank's directive commercial banks to charge n additional interest of two er cent on borrowings on excessive inventories in industries uch as cotton, synthetics nd jute textiles, pharmaceuticals, rubber products, fertilizers, paper, vanaspati and ght and medium engineering, lso affected the market sentiment. Further notwithstanding official assertions, there is growing concern in market ircles over the recessionary rends already in evidence in everal segments of the economy.

Trading on Dalal Street was istless during the last week. The market opened on a subdued note and prices thereafter tended to improve on short covering operations. Barring stray transactions there was nothing worthwhile during the whole of the week. The turnover was also poor. As the settlement bristled with some difficulties owing to the failure of a party to honour his commitments in Scindia, the market remained closed on the last two days of the week. Lyons Range wound up the week on a distinctly subdued note. There was virtually no enthusiasm for operators to open up new commitments. The volume of business consequently was very hin. Equities moved in a narrow range and even feeble attempts at rally petered out due to lack of follow-up support. Activity in the Madras Stock Exchange during last week was subdued with operators evincing interest only in select scrips.

Century Enka

Century Enka has reported impressive improvements in its working results during the year ended September 30, 1974 sales, profits, and margins all being substantially higher than in the previous year. An equity dividend of 12 per cent has been declared on the enlarged capital resulting from the one for two bonus issue as against 20 per cent paid in the preceding year. An application is bring made to the tax authorities to determine the quantum of dividend exempt from tax under section 80K of the Income Tax act. With. sharp rise in gross sales from Rs 8.40 crores to Rs 10.11 crores, gross profit moved up spectacularly by about 66 per cent to Rs 4.97 crores, from Rs 2.99 crores in 1972-73. The improved working is attributed to the introduction of new varieties of special yarns, increase in selling prices as well as rigid cost control. Out of the profit, the directors have appropriated Rs 62 04 lakhs to depreciation reserve as compared to Rs 71.14 lakhs in 1972-73 while the allotment to development rebate reserve was enhanced from Rs 0.36 lakh to Rs 3.17 lakhs. The tax liability for the year is estimated at Rs 2.66 crores. In 1972-73 the provision of taxation amounted to Rs 1.30 crores.

Due to inadequate and irregular supplies of Caprolactam, the company's production has been affected adversely, the output being lower at 877 tonnes as compared to 911 tonnes in the preceding year. Production in 1974-75 is expected to be even lower unless caprolactam situation improves unexpectedly. The directors consider the current years prospects as dim in view of the shortage of caprolactam and the recent fall in market prices of nylon yarn. Despite compliance with all the conditions of the letter of intent for expension of the nylon plant to a capacity of 6.5 tonnes per day the company has yet to receive the imports licence for capital goods. The delay will mean substantial increase in the capital cost of the project.

Richardson Hindustan

Richardson Hindustan has fared well during the the year ended June 30,1974, both sales and profits being higher than 1972-73. But its margins have been under considerable pressure. While sales spurted by 35.2 per cent from Rs 5.46 crores to Rs 7.38 crores, gross profit moved up by only 2.3 per cent to Rs 76.25 lakhs from Rs 74.50 lakhs in 1972-73. Out of the gross profit the directors have provided Rs 18.84 lakhs to depreciation reserve as against Rs 24.65 lakhs in the previous year, while the allocation to development rebate reserve was reduced from Rs 1.25 lakhs to Rs 0.55 lakh. Taxation absorbed Rs 34.49 lakhs as against Rs 29.50 lakhs in the preceding year. The net profit after these allocations worked out to Rs 22.37 lakhs as compared to Rs 19.10 lakhs in 1972-73. After adjustments, the balance of Rs 20.61 lakhs has been transfered to general reserve. The company declared an interim divided of Rs 1.50 per share (15 per) cent tor 1973-74. In view of restrictions on dividends no final dividend has been recommended for the year. For 1972-73 the company paid an equity dividend of 20 per cent.

Kothari Sugars

Kothari Sugars and Chemicals Ltd. has earned a gross profit of Rs 87.37 lakhs during the year ended June 30. 1974 as against Rs 45.58 lakhs for the ten months period of previous year. After providing for depreciation Rs 43.16 lakhs (Rs 17.59 lakhs), development rebate reserve Rs 34.47 lakhs (Rs 10.81 lakhs) and other adjustments out of the balance amount of Rs 21.18 lakhs a dividend of nine per cent on the equity shares aggregating to Rs 14.40 lakhs has been recommended by the directors. The directors could have recommended a higher dividend but for the restrictions imposed by the government on the distribution of dividends. The Kattur factory commenced its crushing on November 15, 1973 and ended on September 10, 1974. The company's new factory at Siruguppa was erected and commissioned in a record of time of 18 months and the factory commenced its production on December 24, 1973 and ended on May

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6, 1974, crushing 1,07,700 tonnes of cane and producing 97,800 quintals of sugar.

The total crushing at these two factories was of the order of 4,75,766 tonnes as against 2,24,531 tonnes in the previous session, manufacturing a total quantity of 4,04,401 quintals of sugar as against 1,97,126 quintals in the previous season. The average recovery at Kattur was 8.33 per cent and at Siruguppa 9.13 per cent. The company has received industrial licence for increasing its crushing capacity at Kattur to 4,000 tonnes per day from the existing capacity of 1,500 tonnes per day. An application has been made to the central government for increasing the crushing capacity at Siruguppa to 4,000 tonnes per day from the existing capacity of 1,500 tonnes per day. It is estimated that during the current year namely 1974-75 the crushing will be of the order of 5.88 lakh tonnes of cane producing about 5.28 lakh quintals of sugar.

Sakthi Sugars

Sakthi Sugars Limited established another landmark during the year ended June 30, 1974 with the completion of the programme for expanding crushing capacity to 4,000 tonnes from 2,500 tonnes daily along with other constructions for amenities and facilities at a cost of Rs 3.75 crores. The distillery also is diversifying its production with the installation of the absolute and neutral alcohol plants. These are expected to be commissioned shortly. With a capability for handling more than one million tonnes of cane in a crushing season, Sakthi Sugars is the first unit in Tamil Nadu to raise its capacity to 4000 tonnes daily. The quantity of cane crushed in the 1973-74 season was the third largest and sugar produced the second biggest for any sugar unit in the country. The layout of the new facilities has been so planned that the capacity can be raised further to 5,000 tonnes easily.

The working results for the year under reference have been highly satisfactory as even with a payment of higher cane prices and a drop in the average recovery of sugar, the net profit before depreciation and taxation has jumped to Rs 104.72 lakhs from Rs 74.99 lakhs in 1972-73. The amount set aside for depreciation has been raised to Rs 46.99 lakhs from Rs 34.76 lakhs and development rebate to Rs 32.67 lakhs from Rs 7.15 lakhs. There will be no liability in respect of taxation against Rs 9 lakhs previously on account of the larger claims towards depreciation and development rebate. The transfer to dividend reserve is Rs 18.45 lakhs as compared to Rs 22.50 lakhs and general reserve Rs 14 lakhs as against no provision in the earlier year. The distillery's contribution to total earnings would have been larger but for the fact that the revision in selling prices for alcohol was effected only towards the close of the accounting period. Even so, there is adequancy of disposable profits for maintaining the dividend on equity capital at 15 per cent taxable. The directors have been obliged to restrict the payment to 12 per cent taxable because of the dividend ordinance.

The quantity of cane crushed constituted a record in the history of the company at 8.13 lakh tonnes in the twelve months ended June 30, 1974 with sugar output also at 67.776 tonnes against 59,972 tonnes. The outlook for 197.475 is considered promising as it is hoped to handle more than eight lakh tonnes of cane in spite of a smaller area under the crop. It will also be possible to achieve a higher level recovery as the expanded capacity will be helpful in maximising crushing operations during the peak of the season. The distillery too will be realising higher average selling prices and will not be affected in any way due to the reintroduction of prohibition except, for the interruption to production, for a short period following confusion about the impact of new levies by the state government on the use of alcohol. There is a good demand for this product for industrial uses.

Usha spg. and Wvg. mills

The performance of Usha Spg. and Wvg. Mills Limited during the year ended June 30, 1974 has been quite impressive despite the acute shortage of power, labour trouble and high prices of cotton. Gross sales of the company during the year under review registered a marginal increase from Rs 3.17 crores to Rs 3.23 crores. However the operating profits of the company shut up from Rs 25.54 lakhs to Rs 61.62 lakhs. This is due to sound and scientific management policy, constant vigilance on fluctuating prices and inventory control. The company has been advised to create development rebate reserve by debiting to the profit and loss account of the previous years in which the deduction by way of development rebate is to be allowed. So an account of Rs 20.77 lakhs has been provided towards development rebate reserve for the year 1973-74 while by amending the annual accounts of the previous years, Rs 1.24 lakhs, Rs 0.81 lakh and Rs 0.23 lakh have been provided for 1970-71, 1971-72 and 1972-73 respectively. As recession has set in a big way in the textile industry the future prospects of the company would be clear only after the prices of both cotton and yarn become stablised. The management is making all efforts by taking various measures of economy, aggressive sales policy and a series of other measures to maintain the breakthrough in the performance achieved during the year under review.

Premier automobiles

Various steps are being taken by Premier Automobiles to enhance the production of its cars. It has finally received the letter of intent for expansion of production to 18,000 cars per annum. However in view of the delay of about two and a-half years in the issue of the letter of intent, the cost of the project ha
gone up substantially. Th
company is presently revisin
the financing scheme in co
sultation with the financi
institutions which will be su
mitted to the government
enable it to issue the industri
licence. Barring unforesee
circumstances the compar
hopes to complete the expa
sion project and achieve t
target of production by Ju
1976. During the year 1973-
its exports were significant
higher than in the previu
year. Currently it is worki
on a big export order for i
cars to Indonesia and if i
efforts prove successf
Indonesia will provide
stable and continuing mark
for its cars.

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can now have a wide range
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have application in a wi
spectrum of industries. Son
of these have just been intr
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others await phased release.

The first of its kind in t
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suit the product which a
vacuum-filled using therm
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then sealed with heat-sealab
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wrapping machine is design
for shrinking a polythelen
PVC film round an article
give it a contour-huggi
package. Such wrapping e
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see-through pack and produ
immobility.

Another machine, design
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two units—one makes cu
out of thermo forming mat
-rials and the other seals lids
to the cups after they a
filled. Yet another machine
for auto capping—consists
a vibratory feeder for caps,
continuous conveyor whi

ries the bottles directly ow a "no bottle no cap" vice, which screws on a pre- eaded cap.

L & T packaging mac- es incorporate high gree of automation. llectively, they have appli- ion in pharmaceutical, smetics, engineering, food d beverages, textile and ier industries. Among the ny advantages of these ichines include high speed nplicity of construction and eration, economic capital d running cost, hygienic ckaging and pleasing visual esentation.

ews and Notes

Standard Alkali, the chemi- l division of Standard Mills ompany has reported com- endable progress on the port front. In 1973-74 as ainst its total turnover of ; 10 crores the company has ported non-traditional items ch as caustic soda, caustic tash, potassium carbonate d hydrochloric acid worth out one crore of rupees. In e first seven months of the rrent year—April to October the company has already ported goods worth over Rs e crore and has on hand ex- rt orders worth Rs 1.50 ores. Already, chloroform, new product, is in the process being included in the export t. With the-commissioning its chloromethane plant, rbonatetrachloride and me- ylene chloride are expected be included in its export st shortly.

New Issues

Amines ond Plasticizers imited, promoted by India arbon Ltd, will soon be ntering the capital market to ise Rs 78.80 lakhs, compris- g Rs 58.80 lakhs in equity ares and Rs 20 lakhs in deemable cumulative pre- rence shares to meet a part the cost of its Rs 2.25 crores roject. The cost of the pro- ct is being met by the share pital of Rs 1.40 crores, term an from State Bank of India f Rs 48 lakhs, foreign cur- ency loan from ICICI of Rs 8.24 lakhs and loans from romoters of Rs 18.22 lakhs.

The company has been in commercial production since December 1973 and its products being of the highest of international standards have been enjoying good reputation in India and abroad. During the first year of its production ended September 30, 1974, the company's sales aggregated Rs 1.37 crores on which it earned a gross profit of Rs 33.37 lakhs. The company has also earned foreign exchange to the tune of Rs 7.57 lakhs by exporting a consignment of 40 M. T. to a middle-eastern country. In view of improved raw material supply position the company expects a turnover of about Rs 4 crores for 1974-75. Barring unforeseen circumstances, the management is confident of paying a reasonable maiden dividend out of the profits during 1974-75.

Amines and Plasticizers Limited is the first company in the country to manufacture ethanolamines by a sophisticated continuous process with the technology and know-how of world renowned Societe Napthachimie of France. Ethanolamines is consumed in substantial quantities by major industries such as fertilizers pharmaceuticals, steel, textiles, cement, leather and is also used in the manufacture of dyes, paints, detergents, soaps and cosmetics. Practically the entire demand for these chemicals was being met by imports until the company's plant commenced commercial production. The production of Ethanolamines is contributing to substantial savings and would add to earnings of foreign exchange, besides promoting industrial sophistication in the country. Amines and Plasticizers Limited is also manuafcturing dioctyl phthalate, a widely used phthalate plasticizer for the processing of PVC to manufacture products like PVC insulated cables, leather cloth, footwear, films and sheets for packaging etc. The company's research and development wing is actively engaged in developing other chemicals to be included in the range of its products.

Gwalior Tools Ltd., a new company is entering the capital market shortly with a public offer of one lakh equity shares of Rs 10 each and 3,000 10 per cent redeemable cumulative preference shares of Rs 100 each. The company is setting up a factory at Maharajpura industrial area, Gwalior, for manufacturing hackshaw blades. At present there is shortage of good quality hackshaw blades. Besides the indigenous demand, there is a large growing export market for the product. The estimated cost of the project is Rs 38.84 lakhs of which Rs 13 lakhs would be met out of the share issue to public, Rs 6.60 lakhs out of the share issue to promoters and friends Rs 17.33 lakhs as term loan from Madhya Pradesh Financial Corporation and Rs 1.91 lakhs as loan from directors.

Capital & Bonus Issues

Consent has been accorded to 17 companies to raise capital of over Rs. 18 crores. The following are the details:

Sarda Plywood Industries Ltd., (Calcutta): have been accorded consent, valid for three months, to capitalise Rs. 7.50 lakhs out of its general reserve and issue fully paid equity shares of Rs. 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

Sylvania & Laxman Ltd., New Delhi): have communicated to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 40 lakhs in 4 lakhs equity shares of Rs. 10 each, for cash at par on pro-rata basis.

The Vazir Sultan Tobacco Co. Ltd. (Hyderabad): have been accorded bonsent for issue of further capital of Rs. 1.77 crores in equity shares of Rs. 10 each to be issued for cash to the Indian nationals at a premium of Rs. 6 per share. The consent is valid for 12 months only.

Transport Corporation of India Ltd, (Secunderabad): have been accorded consent, valid for 12 months, for issue of further capital of Rs. 48 lakhs in 4.80 lakh equity shares of Rs. 10 cash, for cash to the public by issue of a prospectus at a premium of Rs. 10 per share.

Covelong Beach Hotel (India) Ltd.,: have communicated to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 30 lakhs in the form of 2.50 lakh equity shares of Rs. 10 each and 5,000 cumulative redeemable shares of Rs. 100 each (inclusive of the capital already raised).

Derco Cooling Coils Ltd., (Secunderabad): have communicated to government their proposal to issue capital under Clause of 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 35 lakhs (inclusive of capital already raised) in the form of 2.90 lakh equity shares of Rs. 10 each and 6,000 cumulative preference shares of Rs. 100 each.

United India Credit & Development Co Ltd., (Calcutta): have been accorded consent, valid for 12 months, for issue of equity shares debentures of the total value of Rs. 2,48,84,370 to the shareholders of United Bank of India in terms of the scheme of amalgamation of the latter with the former as approved by the Calcutta High Court on June 18, 1973, as amended on August 23, 1974.

Geoffery Manners & Co. Ltd., (Bombay): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 96,00,000.

Philips India Ltd., (Calcutta): have been accorded consent, valid for three months, to capitalise Rs. 6.79 crores out of its general reserve and issue fully paid equity shares of Rs. 10 each, as bonus shares, in the ratio of one bonus share for every one equity share held.

Mafatlal Iudustries Ltd., (Ahmedabad): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 1,89,40,125 to be issued to the existing shareholders of the company.

Polyolefins Industries Ltd.,

(Bombay): have been accorded consent, valid for three months, to capitalise Rs. 1.80 crores out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of the bonus share for every three equity shares held.

Bakelite Hlam Ltd., (Secundrabad): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 52,60,150.

Bush Boake Allen (India) Ltd., (Madurai): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 15,51,350.

Sundaram Textiles Ltd., (Madurai): have been accorded consent, valid for three months, to capitalise Rs. 15 lakhs out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Tirupur Textiles Pvt. Ltd., (Tirupur): have been accorded consent, valid for three months, to capitalise Rs. 7.50 lakhs out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Kumargode Estates Ltd., (Bangalore): have been accorded consent, valid for three months, for the issue of bonus shares worth Rs. 3 lakhs to the existing shareholders of the company.

The Kumaran Mills Ltd., (Coimbatore): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 10 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Previous year
Higher Dividend			
Shree Meenakshi Mills	June 30, 1974	10.0	Nil
Swan Mills	December 31, 1973	15.0	13.0
Same Dividend			
Maheshwari Mills	March 31, 1974	Nil	Nil
Rajesh Textiles	June 30, 1974	12.0	12.0
Jam Shri Ranjitsinghji Spg. & Wvg. Mills Co	June 30, 1974	12.0	12.0
Reduced Dividend			
Aditya Mills	December 31, 1973	8.5	9.0
Travancore Rayons	December 31, 1973	Nil	15.0
Estrela Batteries	March 31, 1974	Nil	8.0
Neelamalai Tea and Coffee Estates	June 30, 1974	Nil	5.3
Loyal Textiles	June 30, 1974	10 0	20.0
Alkali and Chemical Corpn.	September 30, 1974	12.0	17.5

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended May 4 to May 25, 1974. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expansion (SE), Carry on Business (COB); Shifting and annual installied capacity. Details regarding licences and letters of intent revoked, cancellec surrendered are also given. The licences and letters of int issued in the month of August 1974 were published in issue dated October 11, 1974. Due to late receipt of offi releases, the licences and letters of intent issued during period May to July 1974 are beidg carried in these colur from this week onwards.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Modern Steel Pvt. Ltd; G.T. Road, Mandi, Gobi garh, Punjab—(Mandi Gobindgarh—Punjab)—Mild St Ingots—18,000 tonnes p.a —(C.O.B.)

Metallurgical Industries (Non-Ferrous)

M/s Sarda Industries Pvt. Ltd; 10-Industrial Area, Jhotwa Jaipur-6 (Jaipur—Rajasthan)—Non-Ferrous Alloy Casti (Excluding Pressure Die Castings)—77 tonnes p.a.—(C.O.B.)

M/s Sarda Industries (P) Ltd; 4-Digambar Jain Tem Road, Calcutt-7. 24-Parganas, West Bengal)—Zinc & A minium Pressure Die-Castings—35 tonnes p.a.—(C.O.B.)

Electrical Equipment

M/s The English Electric Co. of India Ltd; P.O. Box No. Pallavaram, Madras—(Madras—Tamil Nadu)—High Volta HRC Cartridge Fuse-links for systems upto 11 KV with curre ratings 5 to 100 amps.—6,000 nos. p.a.—HRC Cartridge Fuse Links for the protection of semi-conductor rectifiers f systems upto 1000 volts (Peak inverse) with current ratin 5 to 500 amps.—60,000 nos. p.a.; Admiralty and inter-servi pattern HRC cartridge fuse-links for use in systems upto 4 volts with current ratings 0.25 amps to 200-A.—3,00,000 nc p.a.—(N.A.)

M/s Mahindra & Mahindra Ltd; Gateway Building, Apol Bander, Bombay—(Bombay—Maharashtra)—Moulded Tra Potentio meters—1 million nos. p.a.—(N.A.)

The Andhra Pradesh Industrial Development Corpor Nizam Sugar Factory Bldg; Hyderabad. (Hyderabad—Andh Pradesh)—Potentiometers—1.0 mill. nos. Carbon Tracks—5 mill. nos.—(N.U.)

M/s Delco Electronics Ltd; 29—Netaji Subhas Mar Delhi-6. (New Delhi)—Tape Recorders—40,000 nos.—(N.U.

M/s Bush India Ltd; Sukh Sagar, N.S. Patkar Mar Bombay-7. (Bombay—Maharashtra)—Paper Cones for Lou speakers.—2.5 mill. nos. p.a.—(S.E.)

M/s Bush India Ltd; Sukh Sagar, N. S. Patkar Mar Bombay. (Bombay—Maharashtra)—Electrolytic Capacitors- 12 million nos. p.a.—(S.E.)

M/s English Electric Co. of India Ltd; P.O. Box No. Pallavaram, Madras (Pallavaram, Madras—Tamil Nadu)—Typ SSRR3V Distance Protection Scheme Relays—160 nos. p.a Type VAM Automatic Semaphore Indicator Relays—1400 no p.a.—(S.E.)

Telecommunications

M/s Jai Electronic Industries Pvt Ltd; 75-Industrial Are Nasik-7. (Nasik—Maharashtra)—Audio Tapes—40 mill. running metres p.a,—(C.O.B.)

Transportation

M/s Fenner Cockill Ltd; Pandyan Building, West Voli Stree Madurai-1. (Kachadai—Tamil Nadu)—Oil Seals—40 lakh no p.a (S.E.)

M/s Associated Bearing Co. Ltd: Mahatma Gandhi Mem

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Our Bangalore Complex, comprising six manufacturing Divisions, occupies a land area of 70 hectares and employs over 13,000 workers. Our Ghaziabad Unit near New Delhi is laid out over an area of more than 84 hectares and employs 1200 people.

Each Division is equipped with modern machinery and facilities. The sophistication and complexity of the machinery are matched by the skill and dexterity of our workers.

PRODUCT RANGE: A whole range of communication equipment from transreceivers to high power transmitters, audio and video broadcast transmitters and studio equipment, UHF radio relay systems, radar systems for surveillance, weapon control and meteorology; components like transistors, Integrated Circuits, receiving and transmitting tubes, X-ray and TV picture tubes occupy the present production spectrum.

PRODUCTION AND PROCESS TECHNIQUES AND CONTROL: Up to date techniques are employed using the latest machinery, inspection equipment and the best available materials. A high level of standardisation has been achieved in all the activities right from the component choice to final assembly.

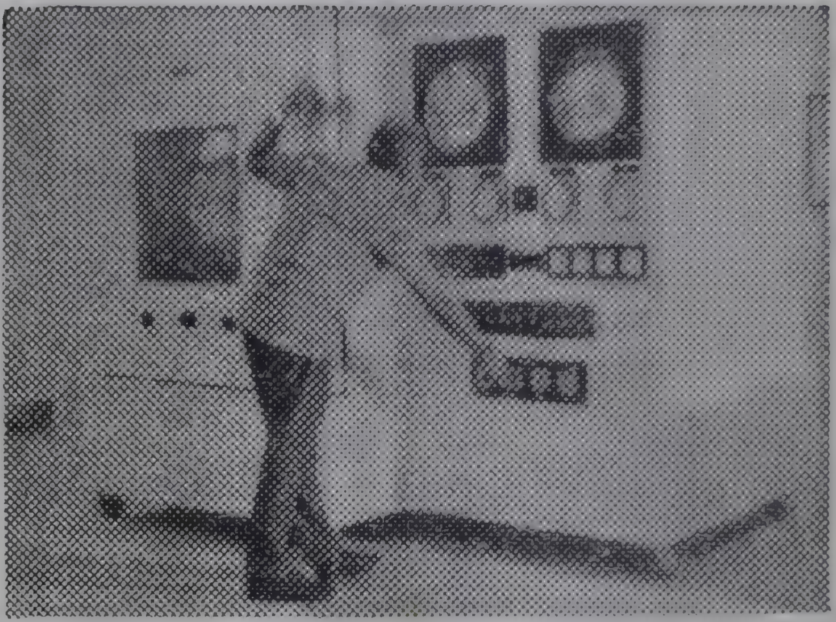
RELIABILITY: We are fully equipped to design, produce and inspect equipment to rigid international standards like DEF, BSS, MIL, JSS etc.

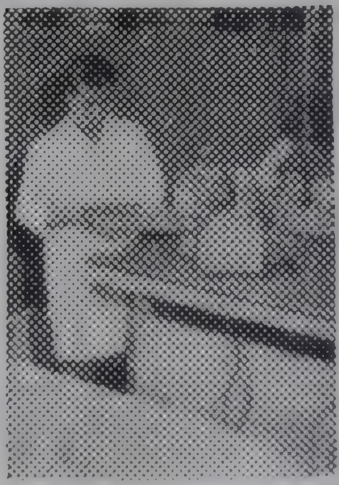
A series of special tests and checks including extensive environmental tests ensure high standards of quality.

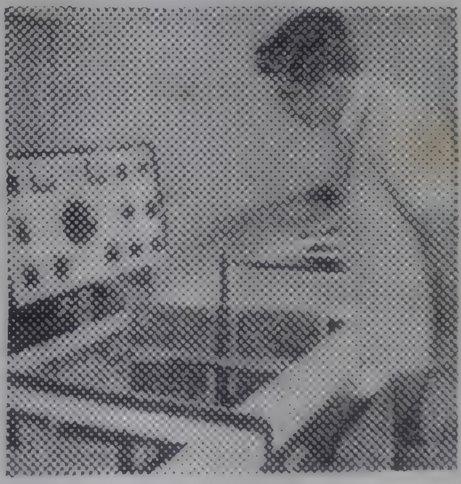
DEVELOPMENT AND ENGINEERING: The highly qualified team of over 200 engineers in our Development and Engineering Division have to their credit the designing of several modern equipment and systems.

SYSTEMS CAPABILITY: In fact our systems capability has reached such an advanced stage that we won against global bids a Rs. 2-crore contract to set up a multichannel UHF radio relay link for the Indian Oil Corporation. When commissioned the system will link Barauni with Haldia and Kanpur thus facilitating communication and monitoring of the 1200 km pipeline.

This is no flash in the pan. Recently we have received an order from the Tamil Nadu Government for setting up a multichannel Microwave communication system for their Police. The network system will link Madras with all the important centres of the State







RECOGNITION OF MERIT: It is not by accident that our exports touched Rs. 1.86 crores during 1973-74. Some of the orders came from countries highly advanced in the field of electronics such as U.K., West Germany, U.S.A., Canada, Australia, Japan, Hong Kong and Singapore. The dedication of our engineers and workers is paying off handsomely!

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rial Building, Netaji Subhas Road, Bombay-2. (Chinchwad—Maharashtra)—Ball Bearings—60 lakh nos. p.a.—(S.E.)

Industrial Machinery

M/s Ingersoll Rand (Rand) (P) Ltd; 44-Abdul Ghaffar Road, Post Box No. 16564, Worli, Bombay. (Ahmedabad—Gujarat)—Drilling Rigs (Small & Medium)—100 nos. p.a.—(S.E.)

M/s Mukund Iron & Steel Works Ltd; Express Towers. 3rd Floor, Nariman Point, Bombay. (Kalwa, Thana, Maharashtra)—Spares, Components & Assemblies for Steel Plants and other Metallurgical Plants.—600 tonnes p.a.—(S.E.)

M/s National Engineering Industries Ltd; 9/1, R.N. Mukherjee Road, Calcutta. (Jaipur—Rajasthan)—Roller Bearing Axle Boxes.—60,000 nos. p.a.—(S.E.)

Chemicals

M/s Shriram Chemicals Industries, Naaz Building, 1-Jhandewalan, New Delhi.(Kota—Rajasthan)—Calcium Carbide —23,300 tonnes p.a.—(S.E.)

M/s Neomer Limited, Alembic Road, Baroda-3. (Baroda—Gujarat)—Polopropylene Fibre—6.000 tonnes p.a.—(N.U.)

Mr N.K. Parekh, M/s Kondivita Pvt. Ltd; 12, Parvati, Sion (W), (Bombay—Maharashtra)—Synthetic Rubber based Adhesives—42,930 litres p.a.—(C.O.B)

Drugs & Pharmaceuticals

M/s German Remedies Ltd; Shiv Sagar Estate, 'A' Block, Dr. Annie Besant Road, Worli, Bombay. (Bombay—Maharashtra)—UROGRAFIN; Ampoules 60%—75,000 nos. p.a., Ampoules 75%—2,25,000 nos. p.a.—(N.A.)

Textiles

M/s Bihar State Industrial Development Corpn. Ltd; Bandar Bagicha, Patna-1. (Bihar)—Cotton Yarn—25,000 Spindles.—(N.U.)

M/s Bihar State Industrial Development Corporation Ltd. Bandar Bagicha, Patna-1. (Bihar)—Processing of Cloth—30 Mill. Metres p.a.—(N.U.)

Paper and Pulp

M/s Sun Coated Paper Co., Block-D, Shivsagar Estate, Dr. Annie Besant Road, Worli, Bombay. (Satpura—Maharashtra)—Clay Coated Paper—6,000 tonnes p.a.—(S.E.)

Sugar

M/s Shri Malaprabha Co-op. Sugar Factory Ltd; M. K. Hubli, Distt: Belgaum, Karnataka. (Hubli, Belgaum, Karnataka)—Sugar—3,500 tonnes p.a.—(S.E.)

Cement and Gypsum Products

M/s Bagalkot Udyog Ltd; Bagalkot, Distt; Bijapur. (Bijapur—Karnataka)—Portland Cement (by dry process)—6,90,000 tonnes p.a.—(S.E.)

Letters of Intent

[During the week ended may, 4, 1974]

Metallurgical Industries (Ferrous)

M/s Sanghvi Steels; 159/2, Bombay Poona Road, Chinchwad, Poona-19. (Poona—Maharashtra)—Iron & Steel and Alloy Steel Castings—1,200 tonnes p.a.—(N.U.)

M/s Bengal Ingot Company Ltd; 5-Hide Road, Calcutta-43. (Calcutta—West Bengal)—Stainless Steel Castings, Heat Resistant Castings and Special Alloy Steel Castings—3,000 tonnes p.a.—(N.A.)

Electrical Equipment

M/s Delco Electronics Ltd; 29-Netaji Subhash Marg, Delhi. (Santa Cruz EPZ—Maharashtra)—Tape Recorders—1 lakh nos. Pre-recorded Cassettes.—50 lakh units. Pre-recorded Car ridges.—50 lakh units. p.a.—(N.U.)

M/s H N. Karanjia & P. Kudianavala, Consultants Pv Ltd; M.M. Buildings, Ballard Estate, Bombay. (Santa Cru EPZ—Maharashtra)—(i) Steatite Ceramics (ii) For-Sterite Ceramics & (iii) Alumina Ceramics—300 tonnes p.a.—(N.U.)

Mr Navaratna Mal Kothari, M/s Mahalchand Motila Kothari, Gancy Bazar, Gauhati. (Santa Cruz EPZ—Maharashtra)—Integrated Circuits of all kinds including MOS LSI—50 mill. nos. p.a.—(N.U.)

M/s Siemens India Ltd; 134-A, Dr. Annie Besant Road Worli, Bombay. (Bombay—Maharashtra)—A.C. Synchronou Machines (150 KVA to 2500 KVA)—50 nos. D.C. Machine (Upto 200 HP)—1,200 nos. p.a.—(N.A.)

M/s Western Maharashtra Development Corpn. Ltd; IIIr Floor, Red Cross Building, 11-Mahatma Gandhi Road, Poona (Maharashtra)—Medium & Low Voltage Electrical Switchgea Components of 415 V and 240 V.—50,000 nos. p.a.—(N.U.)

M/s Kerala State Electronics Development Corpn. Ltd 1133 & 1134, Sasivihar, Peroorkada, Trivandrum. (Kerala)—Electromagnetic Components and Electronic Sub-assemblies—1,25,000 nos. p.a.—(N.U.)

M/s Kerala State Electronics Development Corpn. Ltd; 113 & 1134, Sasivihar, Peroorkada, Trivandrum. (Kerala)—Static Invertor Systems—5,000 nos. p.a.—(N.U.)

M/s The Mysore Electrical Industries Ltd; Bangalore—Tumkur Road, Yeshwantpur, Bangalore-22. (Bangalore—Karnataka)—Earth Leakage Relays—1,600 nos. p.a. Inverse Characteristic Over Current Relays—1,400 nos. p.a. Under/Over Frequency Relays—240 nos. p.a. Directional Over Current Relays—240 nos. p.a. Distance Relays—240 nos. p.a. etc etc.—(N.A.)

M/s Cutler-Hammer India Ltd; 20/4, Mathura Road Faridabad. (Ballabgarh, Gurgaon—Haryana)—Relays—90,000 nos. p.a. Push Buttons—1 lakh nos. p.a.—(S.E.)

Telecommunications

M/s Trimourti Electronics Pvt. Ltd; Sea Castle, Opp. Tilak Statue, Netaji Subhash Road, Chowpatty Sea Face, Bombay (Santa Cruz EPZ—Maharashtra)—Black & White T.V. Receivers—36,000 nos. p.a. Colour T.V. Receivers.—25,000 nos. p.a. B & W Portable T.V. 50,000. AM/FM Radios—200,000 nos. p.a. Cassette Tape Recorders (including radio Combination)—50,000 nos. p.a. Electronics Tuners—UHF/VHF.—1 lakh nos. p.a. (N.U.)

Transportation

M/s Raunaq & Company India Pvt. Ltd; B-82, Himalaya House, Kasturba Gandhi Marg, New Delhi.—(Bombay—Maharashtra)—Clutch Assembly—40,000 nos. Clutch Driven Plate Assembly.—1 lakh sets. p.a. Hydraulic Brake Assembly—40,000 sets p.a.—(N.U.)

M/s Bihar State Indl. Dev. Corpn. Ltd; Bandar Bagicha, Patna-1. (Bihar)—Automobile Wheel Rims—3.5 lakh nos. p.a (N.U.)

M/s U.P. State Industrial Development Corpn. Ltd; 117/420, G.T. Road, P.B. No. 413, Kanpur. (Uttar Pradesh)—Automobile Shock Absorbers—5 lakh nos. p.a.—(N.U.)

Machine Tools

M/s K.G. Khosla & Co. Pvt. Ltd; 1—Deshbandhu Gupta Road, New Delhi. (Ballabhgarh, Gurgaon, Haryana)—Wagon Drills—100 nos. p.a.—(N.A.)

Miscellaneous Industries

M/s V.C. Poojara & C.K. Shah, C/o Montex Corporation; Yusuf Bldg; Mahatma Gandhi Road, Bombay-1. (Gujarat)

Cellulose Acetate Decorative Sheets and Strips—750 tonnes .—(N.U.)

Mr Dileep Nevatia, Shashi Deep, 5-A, Worli Sea Face, mbay. (Gujarat)—Twist Drills (3 mm to 35 mm) dia.—20 h nos. p.a. Reapers (upto 25 mm dia).—1 lakh nos. p.a. End lls (upto 25 mm dia.)—1 lakh nos. p.a.—(N.U.)

Scientific Instruments

M/s Associated Printers (Madras) Pvt. Ltd; 165, Mount ad, Madras. (Madras—Tamil Nadu)—Overhead Projectors d Transparency Makers and Accessories thereof—1000 sets. N.A.)

Microscopes & Accessories

M/s C.Z. Instruments India Pvt. Ltd; Court Chambers, 35-A, ew Marine Lines, Bombay. (Baroda—Gujarat)—(a) Research nocular Microscope with magnification upto 2000x. (b) Advance search Microscoope with built in illumination Magnification to 2000x. (c) Universal Binocular Microscope with Incident/ ansmitted light. Magnification upto 2000x. (d) Steriomicro- ope with & without Incident and Transmitted Light, with pid magnification changer and (e) Incident Light Metalurgi- l Microscope.—500 units p.a.

Analytical Instruments. Spectrocolorimeter with grating onochrometer. Fluorescence Equipment for Spectrocolori- eter. Turbidity attachment for Spectrocolorimeter. Reflect- ice attachment for Spectrocolorimeter. Spectrophotometer r UV VIS range with Prism Mono-chromator & Photometric curacy better than 0.5% and Abbe Refractometers reading to h decimal.—350 units p.a.—(N.U.)

Fertilizers

M/s Mysore State Industrial Investment & Development orpn. Ltd.; Harinivas, 36-Cunningham Road, Bangalore.— Mangalore—Karnataka)—Sulphuric Acid—3,41,000 tonnes p.a. nosphoric Acid (P_2O_5)—1,25,000 tonnes p.a. Mono-Ammonium nosphate—1,17,000 tonnes p.a. Fluorine Chemicals—20,000 nnes p.a.—(N.U)

M/s Andhra Pradesh State Industrial Dev. Corpn. Ltd; ateh Maidan Road, Hyderabad.—(Kothagudam-Andhra radesh)—Oxygen (Gas & Liquid)—1.45 million M3. Acetylene -0.40 Mill. M3.—(N.U.)

Chemicals

M/s Hindustan Zinc Ltd; 6-New Fatehpura, Udaipur.— Udaipur-Rajasthan)—Electrolytic Zinc Metal—45,000 tonnes a. Cadmium Metal—17 tonnes p.a. Sulphuric Acid—97,000 nnes p.a. Phosphoric Acid.—26,000 tonnes p.a.—(S.E.)

M/s Assam Indl. Dev. Corpn. Ltd; Kaunachal Road, Silpu huri, Gauhati-3.—(Sibsagar-Assam)—Carban Black—12,500 nnes p.a.—(N.U.)

M/s Vardhman Spinning & Electrolytic General Mills Ltd; handigarh Road, Ludhiana-3.—(Karnataka)—Manganese ioxide—3,400 tonnes p.a.—(N.U.)

M/s Adoni Vanaspati Manufacturers, Basapuram Road, doni.—(Adoni, Kurnool, Andhra Pradesh)—Oxygen Gas— 45 M.C.M.—(N.A.)

M/s Tata Oil Mills Co. Ltd; Bombay House, Homi Mody treet, Fort, Bombay.—(Gauhati-Assam)—Synthetic Detergents -10,000 tonnes p.a.—(NU)

M/s Andhra Pradesh Industrial Development Corpn. Ltd; -1-174, Fateh Maidan Road, P.B. No. 13, Hyderabad. -(Andhra Pradesh)—Calcium Carbide—33,000 tonnes p.a.— NU)

Dyestuffs

M/s Pigments & Dyestuffs Pvt. Ltd; Mon Repes, Arthur Bunder Road, Colaba, Bombay-2.—(Kalyan, Thana, Maharashtra)—Basic Dyes—186 tonnes p.a. Dyes for Acrylic Fibre—210 tonnes p.a.—(SE/NA)

Drugs & Pharmaceuticals

M/s German Remedies Ltd; Shiv Sagar Estate, A-Block, Dr. Annie Besant Road, Worli, Bombay.—(Andheri-Maharashtra)—Lidamen Affemes—1 mill. nos. p.a. Tablets—12 mill nos. p.a. Drops—1,250 litres p.a.—(NA)

M/s Deys-Chem Ltd; 8-Rifle Range Road, Calcutta-19. (Calcutta-West Bengal)—Nitrofuranoin & its Derivatives—24 tonnes p.a. Diphenyl Hydantoin & its Derivatives—10 tonnes p.a.—(NA)

The Chemicals Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay-8.—(Bombay-Maharashtra)—Ibuprofen & Formulations thereof—2 tonnes p.a.—(NA)

Textiles

M/s Basanti Cotton Mills; P.O. Panihati, 24-Parganas, West Bengal.—(Panihati-West Bengal)—Cotton/Canvas Cloth—128 looms consisting of 16 imported looms for Canvas Cloth—112 indigenous looms for Cotton Cloth.—(SE)

M/s Rajapalayam Mills Ltd; Rajapalayam.—(Rajapalayam, Ramanathapuram, Tamilnadu)—Cotton Canvas Cloth and—52 imported Canvas Looms.—(NA)

Paper & Pulp

Mr R.P. Baya, E-6. Green Park, New Delhi-6.—(Jhalawad-Rajasthan)—M.G. Duplex Board, Packing & Wrapping Papers —7,300 tonnes p.a.—(NU)

M/s The Western India Match Co. Ltd; Nicol Road, Ballard Estate, Bombay.—(Alambazar, West Bengal)—Semi Chemical Pulp—36,000 tonnes p.a. Paper & Paper Board.—43,000 tonnes p.a.—(S.E.)

Food Processing Industries

M/s Meghalaya Industrial Development Corpn. Ltd; Additional Scretariat Bldg; Room No. 53, Shillong-1.—(Bernihat-Khasi Hills, Meghalaya)—Pineapple Products—20,000 tonnes p.a.—(N.U.)

Vegetable Oils & Vanaspati

M/s S. Rangaswamy Nadar & Co.; 456; P.J. Nehru Road, Villupuram.—(Madurai-Tamil Nadu)—Cotton Seed Oil by Expeller process and by solvent extraction process—6,000 tonnes in terms of cotton seeds.—(N.U.)

Rubber Goods

Mr S.M. Saburi, B-1/47, Safdarjung Enclaves, New Delhi-16—(Andhra Pradesh)—Fan and V-Belts—10 lakh nos. p.a.—(N.U.)

M/s Murli Rubber Products Ltd; 42-Maharani Gayatri Devi Market, Tripolia Bazar, Jaipur-2.—(Alwar-Rajasthan)—Fan and V Belts—10 lakh nos. p.a.—(N.U.)

M/s Swastik Rubber Products Ltd; Swastik House, Behind Kirkee Railway Station, Poona.—(Pune-Maharashtra)—Conveyor & Transmission Belts—1,200 tonnes p.a. Fan & V Belts —10 lakh nos.—(N.A.)

M/s East India Rubber Works (P) Ltd; 161, Chittaranjan Avenu, Calcutta-7.—(Lillooah, Howrah, West Bengal)—Fan and V. Belts—10 lakh nos. p.a.—(N.A.)

Mr Kuldeep Singal, H-212, Model Town, Delhi.—Sonepat-Haryana)—Fan & V. Belts—10 lakh nos. Conveyor & Transmission Belts—3,600 tonnes p.a.—(N.U.)

Leather, Leather Goods & Pickers

Mr M.M. Madar, 44-Oothu Kattan Street, Periamet, Madras.—(Ranipt, N. Arcot, Tamil Nadu)—Finished Leather from Skins 9—lakh nos. p.a.—(N.U.)

Ceramics

M/s Transformers & Electrical Kerala Ltd; Angamally P.O., Ernakulam.—(Ernakulam-Kerala)—H.T. Insulators—5,000 tonnes p.a.—(N.A.)

Mr Nirmal Kumar Jain, Hardoi Road, Sitapur.—(Uttar Pradesh)—Glazed Wall Tiles—5,400 tonnes p.a.—(N.U.)

Licences/Registration Certificates Revoked or Surrendered

(During the week ended May 4, 1974)

(Information pertains to particular licences only)

M/s The Shivrajpur Syndicate Ltd; Killick House, Home Street, Bombay-1—Granulated Fertilizer Mixtures.

Letters of Intent Cancelled, Revoked or Surrendered

(During the Week ended May 4, 1974)

(Information pertains to particular licences only)

M/s Mysore Kirloskar Ltd; Yantrapur P.O., Harihar—(Karnataka)—Cylinderical Grinding Machines.

M/s Ulhas Udyog Pvt. Ltd; Mustafa Building, Sir Pheroz Shaha Mehta Rd; Fort, Bombay—(Madhya Pradesh)—Steel Pipes and Tubes.

M/s Swastik Textile Trading Compauy (Pvt.) Ltd; Amrai-Ahmadabad—(Gujarat)—Flour Mill Machinery.

M/s Indian Sugar & General Engineering Corporation, Yamunanagar—(Haryana)—Dairy Machinery.

Licences Issued

(During the week ended May 11, 1974)

Metallurgical Industries (Ferrous)

M/s Paliwal Mini Steel (India) Ltd; Alpna Cinema Building, Model Town, Delhi. (Alwar-Rajasthan)—Mild Steel Ingots—23.000 tonnes p.a.—(C.O.B.)

M/s Haryana Industrial Dev. Corpn. Ltd; S.C.O. 4-5, Sector-17-A, Post Box No. 22, Chandigarh.—(Mohindergarh-Haryana)—Steel Billets from Scrap.—50,000 tonnes p.a.—(N.U.)

Boilers & Steam Generating Plants

M/s Bharat Heavy Electricals Ltd; 5-Parliament Streeet, New Delih-1—(Triuverumbur, Tiruchirapalli, Tamil Nadu)—High Pressure Boilers including boiler house auxiliaries like Air Pre-Heaters, Fans, Mills, Soot Blowers, Dust Collectors, etc. Industrial Package Recovery Bagasse and Marine Boilers—25,000 MW or 87,000 tonnes p.a.; Nuclear Steam Generating Equipment 235/250 MW—(S.E./N.A.)

Electrical Equipment

M/s Delhi Cloth & General Mills Co. Ltd; (M/s D.C.M. Data Products Pvt. Ltd;) S.B.M. Premises, Shivaji Marg, New Delhi.—(New Delhi)—Electronic Desk Calculators—7,000 Nos. p.a.—(S.E.)

Chemicals

M/s India Gelatine & Chemicals Ltd; 192, Dr. Dadabhoy Naoroji Road, Fort, Bombay-11.—(Vapi, Bulsar, Gujarat)—Ossein—1,200 tonnes p.a. Dicalcium Phosphate (as Bye-product)—2,160 tonnes p.a.—(N.U.)

M/s Avtar Salh Gases Pvt. Ltd; D-39, Annexe, South Extension Part-2, New Delhi-49—(Chandigarh-Union Territory)—Oxygen Gas—0.55 Mill. C.M.—(N.U.)

M/s Deyse-Chem. Ltd; 8-Rifle Range Road, Calcutta-19.—(Calcutta-West Bengal)—Vanillin—30 tonnes p.a.—(N.A.)

Textiles

M/s Shree Balaji Spg. & Wvg. Mills; Sheth Jayanarayan Ladda Road, Sanghli-1.—(Sanghli-Maharashtra)—Cotton Cl —300 looms of indigenous make—(S.E.)

M/s Bangodaya Cotton Mills Ltd; Panihati, 24-Parganas (Panihati, 24-Parganas, West Bengal)—Cotton Yarn—25,0 Spindles—(S.E.)

Food Processing Industries

M/s Edward Keventer (s) Pvt. Ltd; Sardar Patel Marg, N Delhi-21.—(Delhi-Union Territory)—Milk Powder—50 tonn p.a. Condensed Milk-386 tonnes—(C.O.B.)

Letters of Intent

(During the week ended May 11)

Metallurgical Industries (Ferrous)

M/s Western Maharashtra Dev. Corpn. Ltd; III Flo Indian Red Cross Society Building, 11-Mahatma Gandhi Ro Poona.—(Maharashtra)—Forged Steel Pipe Fittings.——2, tonnes p.a.—(N.U.)

Electrical Equipment

M/s NGEF Ltd; Bangalore—(Bangalore-Karnataka)—Pote tial Transformers (33—400 KV)—75 nos. p.a.—(N.A.)

M/s W.S. Insulators of India Ltd; Mount Road, Madras-2 (Madras-Tamil Nadu)—Medium Frequency Capacitors—27,5 KVAR p.a; LT Power Capacitors—20,000 KVAR p.a; Power Capacitors (Upto-11 KV)—30,000 KVAR"—(N.A.)

Mr R. Sunderaraman, 175/1, Mount Road, P.B. No. 27 Madras—(Karnataka)—Power Transformers upto 50MVA/1 KVA—1,000 MVA p.a.– (N.U.)

Industrial Machinery

M/s Peass Industrial Engineers Pvt, Ltd; Maneklal Roa Navasari—(Navasari-Gujarat)—Precision Cone Winders f Filament yarn—60 nos. p.a.—(N.A.)

Commercial, Office & Household Equipment

Mr A.D. Jain, 7/33, Darya Ganj, Delhi—(Delhi-Uni Territory)—Domestic Sewing Machine—1 lakh nos. p.a.—(N.U

Chemicals

M/s U.P. State Industrial Dev. Corpn. Ltd; 117/420, G. Road, Post Box No. 413, Kanpur—(Uttar Pradesh)—Electrol tic Manganese Dioxide—5,000 tonnes p.a.—(N.U.)

M/s Alembic Chemicals Works Co. Ltd; Baroda-3—(Barod Gujarat)—Benzaldehyde—300 tonnes p.a.—(N.A.)

M/s Devidayal Sales Pvt. Ltd; Reary Road, Dharu Khan Bombay—(Bombay-Maharashtra)—Carbaryl Technical—2,0 tonnes p.a.—(N.A.)

Drugs & Pharmaceuticals

M/s Pfizer Ltd; Express Towers, Nariman Point, Bon bay-1—(Bombay-Maharashtra)—Foot & Mouth Disease Va cines—4 million doses p.a.—(N.A.)

M/s Alembic Chemicals Works Co. Ltd; Baroda-(Gujarat) (Baroda-Gujarat)—Ampicillin—5 tonnes p.a; 6-Amino-Pe cillanic Acid (APA)—20 tonnes p.a.—(N.A.)

M/s Themis Chemicals Ltd; 38, Suren Road, Andheri (East Bombay-93—(Gujarat)—Chlloramphenicol Mono Stearyl Gly colate (Basic)—5 tonnes p.a.—(N.A.)

Textiles

M/s Amitabh Textile Mills; Prem Nagar Dehra Dun (U.P.) (Dehra Dun-U.P.) Cotton Cloth—276 looms of indigenous mak & 24 imported looms—(S.E.)

M/s Delhi Cloth & General Mills Co. Ltd; (Shriram Fa cs), Bara Hindu Rao, Delhi-6 —(Manali-Tamil Nadu)—Nylon Tyre Yarn Fabrics—1,000 tonnes p.a.—(N.A.)

M/s National Rayon Corpn. Ltd; Ewart House, Bruce Street, Bombay-1—(Kalyan, Maharashtra)—Nylon Tyre Yarn Fab- ics—1,100 tonnes p.a.—((N.A.)

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur—(Kota-Rajasthan)—Nylon Tyre Yarn Fabrics—800 tonnes p.a.—(N,A.)

M/s Shree Sitaram Mills Ltd; N.M. Joshi Marg, Bombay-11—(Bombay-Maharashtra)—Knitted Fabrics of Cotton Yarn only—4 Warp Knitting Machines—(S.E.)

M/s The Gaekwar Mills Ltd; 79/51, Mehta House, Apollo Street, Fort, Bombay-1—(Billimora, Bulsar, Gujarat)—Knitted Fabrics of Man-Made Fibre/Cotton Yarn—4 nos. Warp Knitting Machines—(S.E.)

M/s The Sarangpur Cotton Mfg. Co. Ltd; Amraiwadi Road, P. No. 19, Ahmedabad—(Amraiwadi, Ahmedabad, Gujarat)—Knitted Fabrics of Man-Made Fibre/Cotton Yarn—5 nos. of Warp Knitting Machines—(S.E.)

Paper & Pulp

M/s Harcharan Singh Brar, House No. 19, Secter-4, Chandigarh—(Himachal Pradesh)—Tissue & other light weight Paper—3,000 tonnes p.a; Saleable Sulphite Pulp—7,600 tonnes p.a.—(N.U.)

M/s Nuddea Mills Co. Ltd; 2-Fairlie Place, Calcutta—(Naihatti-West Bengal)—Industrial Paper—6,000 tonnes p.a.—(N.A.)

Food Processing Industries

M/s Delhi Cloth & General Mills Co. Ltd: D.C.M. Marine Products, Textile Division, Bara Hindu Rao, Delhi-6—(Haldia-West Bengal) (Mandapam-Tamil Nadu) (Veraval-Gujarat) (Vishakhapatnam-Andhra Pradesh)—Processed Marine Products—12,000 tonnes. (in addition to fish meal and other bye-products corresponding to the above capacity on the basis of a capacity of 3,000 tonnes of processed marine products at each of the four factories—(N.A.)

Rubber Goods

Mr M. M. Mohanka, Partner, Techno Engineers, 183, 'G' Block, New Alipore, Calcutta—(Kalyani, Nadia, West Bengal)—Specialised wear resistant rubber components and specialised moulded wear resistant products—1,500 tonnes p.a—(N.U.)

Changes in Names of Owners or Undertakings

(During the week ended May 11, 1974)

(Information pertains to particular licences only)

From M/s Vinar Private Ltd; Calcutta to M/s Vinar Systems Private Ltd; Calcutta;

From Shri Chhatarapati Shivaji Sahakari Sakhar Karkhana Ltd; Poona to Shri Chhatarapati Sahakari Sakhar Karkhana Ltd.

From M/s Haren Textiles (P) Ltd. to M/s M.P. Spinning & Weaving Mills Pvt. Ltd.

From M/s Sahakari Sanghi, Tehsil Nighasan, District. Kheri, to M/s Sarjoo Sahakari Sugar Mill, Kheri.

From Shri S. Gopinath, Madurai, to M/s Nagalakshmi Flour Mills Pvt. Ltd; Madras.

Licences/Registration Certificates Revoked or Surrendered

(During the week ended May 11, 1974)

(Information pertains to particular licence only)

M/s The Shivrajpur Syndicate Limited, Bombay-1.—Granulated Fertilizer Mixture. (Cancelled)

Letters of Intent Cancelled, Revoked, or Surrendered

(During the week ended May 10, 1974)

(Information pertains to particular licences only)

M/s Gujarat Machinery Manufacturers Ltd; Bombay—(Gujarat)—Fisher Flour Milling Machinery.

M/s Gujarat Industrial Investment Corpn. Ltd; Ahmedabad.—(Gujarat)—Fuel Injection Pump Testing Machines.

Mr Ranjit Singh Sahni New Delhi.—(Haryana)—Automobile Electricals.

Licences Issued

(During the week ended May 18, 1974)

Metallurgical Industries (Ferrous)

M/s Evergreen Wire Cloth Factory (P) Ltd; 167/155, Shamaldas Gandhi Marg, Bombay.—(Bombay-Maharashtra)—Wire Gauge, Wire Netting, Wire Farming & Wire Mesh.—(C.O.B.)

M/s Bharat Aluminium Co. Ltd; F-41, N.D.S.E., Part-I, Ring Road, New Delhi.—(Korba-Madhya Pradesh)—Properzi Rods—10,000 tonnes.—(N.A.)

Electrical Equipment

M/s Asain Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D.N. Road Bombay.—(Nasik-Maharashtra)—Metal Film Resistors—2 million nos. Metal Oxide Film Resistors—2 million nos. Cormet Resistors— 5 Lakh pes.—(N.U.)

M/s Indian Cables Industries: Bombay-Poona Road, Pimpri, Poona-18.—(Pimpri, Poona, Maharashtra)—House Wiring Cables & Flexible Cables—20 Mill. Core Meters p.a.—(S.E.)

Transportation

M/s Maco Private Ltd; 6692/1, Khari Baoli, Delhi-6—(Sonepat-Haryana)—Gudgeon Pins—12 lakh nos. p.a.—(N.U.)

Industrial Machinery

M/s Hindustan Bobbin Inds; 35, Canal East Road, Calcutta-11.—(Calcutta-West Bengal)—Card Staves for Carding Rollers for Jute Mills.—1,20,000 pcs. p.a.—(N.A.)

M/s Rolcon Engg. Co. Ltd; Vallabh Vidyanagar—(Vallabh Vidyanagar-Gujarat)—Sprocket Wheels for Industrial Roller & Conveyor Chains of various sizes—30,000 nos. valued at Rs. 24 lakhs. p.a.—(N.U.)

Earth Moving Machinery

M/s K.S. Diesels Pvt. Ltd; 19-21, Hamam Street, Fort, Bombay.—(Rajkot-Gujarat)—Single Cylinder Pumps—1,90,080 nos. p.a. Elements—15,0080 nos. Delivery Valves—15,0080 nos. Nozzles Holders—2,58,000 nos. Nozzles—15,0080 nos.—(S.E.)

Chemicals

Mr P. Kumar, c/o CTR Mfg. Indst. Ltd; Nagar Road, Poona—(Poona-Maharashtra) — Polystyrene Capacitors—40 lakh nos. Polycarbonate Capacitors—30 lakh nos. Polyester Capacitors—30 lakh nos.—(N.U.)

M/s Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Practolar B.P. 1 tonne. p.a. Practolar Tablets—7 mill. nos. p.a.—(N.A.)

M/s Swadeshi Detergents; 2-Coronation Hotel, Fatehpur, Delhi—(Ghaziabad—U.P.)—Synthetic Detergents—10,000 tonnes p.a. (30% A.D.)—(N.U.)

M/s Partap Gases & Chemicals Pvt. Ltd; C/92/2, South Avenue, Maharani Bagh, New Delhi.—(Ballabgarh-Haryana)—

Oxygen Gases—6 lakhs C. Metres. Acetylene Gases—1,50,000 C. Metres.—(N.U.)

Drugs & Pharmaceuticals

M/s Themis Orgasyn Chemicals, 38. Suren Road, Bombay-93—(Vapi-Gujarat)—Amitriptylene Hydrochloride—200 Kgs. p.a.—(N.A.)

Textiles

M/s Sarvaraya Textiles Ltd; Beach Road, Kakinada—(Kakinada-Andhra Pradesh)—Cotton Yarn—25,000 spindles—(S.E.)

M/s Bihar State Industrial Development Corpn. Ltd; Bandarbagicha, Patna-1.—(Bhagalpur-Bihar)—Cotton Yarn—50,000 spindles.—(N.U.)

M/s Vijayshree Spinning Mills Pvt. Ltd; Lakshmi-Soundara, G.T.N. Naidu Salai, Dindigul.—(Dindigul-Tamil Nadu)—Cotton Yarn—25,000 spindles.—(S.E.)

Paper & Pulp

Mr Guru Dutt, 4/13, West Patel Nagar, New Delhi-8—(Gurgaon-Haryana)—Coated and Calendered Paper—3,000 tonnes p.a.—(N.U.)

Sugar

Shri Banaskantha Khand Udyog Sahakari Mandli Ltd; Distt: Banaskantha.—(Palampur-Banaskantha, Gujarat)—Sugar—1,250 tonnes p.a.—(N.U.)

The Registrar of Cooperative Societies, Pondicherry-1—(Mannadipet Commune, Pondicherry)—Sugar—1250 tonnes p.a.—(N.U.)

M/s Kisan Sahakari Chini Mills Ltd; Bhongaon, Distt: Mainpuri.—(Mainpuri-Uttar Pradesh)—Sugar—1250 tonnes p.a.—(N.U.)

Food Processing Industries

M/s Bihar State Dairy Corporation Ltd; Composite Milk Plant, Barauni, Distt: Begusarai.—(Barauni, Begusarai, Bihar)—Skimmed Milk Powder—12,00 tonnes p.a. Whole Milk Powder—400 tonnes p.a, Baby Food—800 tonnes p.a. Casein—100 tonnes p.a.—(N.U.)

Leather, Leather Goods & Pickers

M/s Asia Tanning Company, 26-V. V. Koil Street, Periamet, Madras-3.—(Ambur, Nort Arcot Distt: Tamil Nadu)—E.I. Tanned Sheep Skins—4, 30 lakh nos. p.a.—(C.O.B.)

Letters of Intent

(During the week ended May 18, 1974)

Metallurgical Industries (Ferrous)

Mr Sudhir Gupta, 17-Civil Lines, Moradabad. (Haryana)—Forged & Machined Steel Flanges, Rings, Discs, Tees, Reducers and Gaskets—4,000 tonnes p.a.—(N.U.)

M/s Vijay Tanks & Vessels Pvt. Ltd. Haji Adam Mansion, Homji Street, Bombay. (Bombay—Maharashtra)—Forged & Machined Steel Flanges. Rings, Discs, Tube Steels, Elbows, Tees, Reducers and Bents.—4,000 tonnes—(N.A)

Mr V.K. Khemka, P-34, India Exchange Place. Calcutta-1. (Patratu—Bihar)—Manganese Steel Castings—1,200 tonnes p.a. Alloy Steel Castings.—900 tonnes p.a. S.G. Iron Castings.—900 tonnes p.a.—(N.U.)

Mr Nirmal Chandra Mandal, 1/4, Gentra Avenue, A-Zone Durgapur. (Enayetpur, P.S. Barjara, West Bengal)—Chain Sling Hooks—200 tonnes p.a. Studs for Ship Chains.—100 tonnes p.a. Master Rings—50 tonnes p.a. Steel Forgings—1,200 tonnes p.a.—(N.U.)

Mr U.K. Deshmukh, 12-B, Connaught Road, Poona-1. (Maharashtra)—High Tensile Machine Screws.—500 tonnes p.a.—(N.U.)

Electrical Equipment

M/s The Mysore Electrical Industries Ltd; Tumkur Road, P.B. No. 2221, Bangalore-22. (Bangalore—Karnataka)—Circuit Breakers 11/66KV, 730/500 MVA (Indoor) 400 to 1500 Amps—250 nos. Circuit Breakers 33KV, 1000/1500 MVA 600 to 2,500 Amps.—500 nos, p.a. Moulded Case Circuit Breakers—6,000 nos. p.a.—(N.A)

Mr M. Neelakantan, 6-A, Mowbraya Road, First Cross Street, Madras. (Madras—Tamil Nadu)—Glow Lamps—6 mill. nos. p.a.—(N.U.)

M/s Britalite Carbons Ltd; 206, New Anand Bhavan, 259, Narohi Natha Street, Bombay. (Kalol, Panchmahal, Gujarat)—Cinema Arc Carbons—6 mill. pairs p.a.—(S.E.)

Telecommunications

M/s West Bengal Industrial Development Corporation, 23-A, Netaji Subhas Road, Calcutta. (West Bengal)—T.V. Picture Tubes (20 inch and above)—40,000 nos. p.a. (N.U.)

M/s Anand Electronics, 21/24, Dwarkadeesh Road, Kanpur. (Kanpur—U.P.)—T.V. Picture Tubes (20 inch and above)—40,000 nos. p.a.—(N.U.)

Transportation

M/s Usha Die Castings (P) Ltd; C-20, Friends Colony, New Delhi. (Gurgaon—Haryana)—Multi Speed & Brake Hubs.—5 lakh nos. p.a. Multi Sprocket Free-Wheel—5 lakh nos. p.a.—(N.U.)

Industrial Machinery

Mr K.R. Purushotham, E.E., 25-Edward Elliots Road, Mylapore, Madras-4. (Madras—Tamil Nadu)—Spinnerettes for man-made fibre—190 Kgs. p.a.—(N.U.)

Engineering Industries

M/s Power Cables Pvt. Ltd; 24-Brelvi Sayed Abdulla Road, Fort, Bombay-1. (Nadiad—Gujarat)—Precision Moulds, Dies, Tools, & Fixtures—Rs. 40 lakhs p.a.—(N.A.)

Mr K.K. Roy, Automotive Manufacturer's Association, P-27, Princep Stree:, Calcutta-13. (West Bengal)—Hand & Cutting Tools—5.000 tonnes p.a.—(N.U.)

Indnstrial Instruments

M/s Bombay Burmah Trading Corporation Ltd; 9-Wallace Street, Fort, Bombay. (Maharashtra)—Post Office Meters—1 lakh nos.—(N.U.)

Chemicals

M/s BASF India Limited, Tiecion House, Dr. E. Moses Road, Bombay. (Thana—Maharashtra)—Baselin—200 tonnes p.a. Bavistin—135 tonnes p.a. Chloro-Cholin Chloride—31 tonnes p.a.—(N.U.)

M/s Industrial & Allied Chemicals, National House, 6-Tullock Road, Bombay-1. (Gujarat)—Polybutenes—5,000 tonnes p.a.—(N.U.)

Mr Charanjit Singh Singhal, M/s Ceekay Woodcrafts) 20/45, Punjabi Bagh, New Delhi-26. (Ludhiana—Punjab)—Carbon Dioxide—1,200 tonnes p.a.—(N.U.)

Dyestuffs

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitladevi Temple Road, Mahi, Bombay. (Maharashtra)—Naphthols—1,350 tonnes p.a.—(S.E.)

Textiles

M/s The Sidhpur Mills Co. Ltd; 52-54, Nakhoda Street, Pydhonie, Bombay. (Mehsana—Gujarat)—Knitted Fabrics of man-made Fibre/Cotton Yarn.—Warp Knitting Machines 4 nos. corresponding to a totol consumption of 80 tonnes of Caprolactum.p.a.—(S.E.)

The Raja Bahadur Motilal Poona Mills Ltd; Hamam House, Ambalal Deshi Marg, Bombay. (Poona—Maharashtra—(Knitted Fabrics of man-made Fibre/Cotton Yarn.—Warp Knitting Machines 4 nos. corresponding to a total consumption of 80 tonnes of Caprolactum.p.a.—(S.E.)

Food Processing Industries

M/s Ratilal Rambhai Patel, 914, Khadia, Golwad, Ahmedabad-1. (Ahmedabad—Gujarat)—Guar Gum based products (For textile paper, mining, printing, food and pharmaceuticals applications 0—2,000 tonnes p.a,—(N.U.)

Leather, Leather Goods & Pickers

M/s S.K. Sen & Sons Pvt. Ltd; 1-Middaleton Street, Calcutta. (Calcutta—West Bengal)—Industrial Leather Garments.—2 lakh nos. Leather Gloves—2.5 lakh nos. Leather Jackets—25,000 nos. Finished Leather from Skins—2 lakh nos. Finished Leather from Hides—2.5 lakh nos.—(N.U.)

Changes in Names of Owners or Undertakings

(During the week ended May 18, 1974)

(Information pertains to particular licences only

From M/s Tamil Nadu Industrial Corporation Ltd; Madras. M/s Dynavision Ltd; Madras;

The Balaji & Maharani Flour Mills, Bombay.—M/s Chhaganlal Khimji & Company (Private) Ltd; Bombay.

Letters of Intent Revoked or Surrendered

(During the week ended May 18, 1974)

(Information pertains to particular letters of intents oniy)

Mr S.M. Subramanian, 24-C, Thanikachalam Chetty Road, Madras-17. (Tamil Nadu)—Engine Valves,

Licences Issued

(During the week ended May 25, 1974)

Metallurgical Industries (Ferrous)

M/s Sono Electricals Pvt. Ltd; B-200, Rajendra Marg, Bapu Nagar, Jaipur.—(Faridabad—Haryana)—Winding Wires upto 41 SWG—300 tonnes p.a—Winding Wires 42 SWG and above—50 tonnes p.a—Impregnated Asbestos and Bonded Glass covered Wires—75 tonnes p.a—Fuse Wires—10 tonnes p.a—(N.U.)

M/s Saraswati Steel & Alloys Ltd; Alpna Cinema Building Model town, Delhi—(Alwar—Rajasthan)—Mild Steel Ingots—18,000 tonnes p.a—(C.O.B.)

M/s Rashtriya Engg. Works (Reg.), G.T. Road, Batala.—(Batala—Punjab)—Bright Bars & Shaftings—8,000 tonnes p.a—(C.O.B.)

M/s Sarda Industries Pvt Ltd; 4 Digamber Jain Temple Road, Calcutta-7—(Raipur. 24-Parganas, West Bengal)—Bright Bars—840 tonnes p.a—(C.O.B.)

M/s Bagri Steel Industries Pvt Ltd; 138-Biplabi Rash Behari Babu Road, Calcutta-1—(West Bengal)—Bright Bars—9,460 tonnes p.a—(C.O.B.)

M/s Shree Metals (P) Ltd; 2-Oxford Building, N-56, Connaught Circus,New Delhi—(Kundli, Sonepat, Haryana)—Copper & Copper Alloy Pipes & Tubes (Industry-Ordinary)—500 tonnes p.a—(NU)

Electrical Equipment

Mr H. K. Abrol (M/s Abrol Engg. Co. (HRC)-13, Birbal Road, Jangpura Extension, New Delhi-14—(Kapurthala, Punjab—HRC Fuses 500/650V, 5 to 1,500 Amps—4 lakh nos. D. Type Fuses 500/650 V to 1500 Amps—5 lakh nos. Switch Gear (L.T.) 30—500 Amps—40,000 nos. p.a—(N.U.)

M/s Minicon Insulated Wires Pvt. Ltd; A-6, Industrial Estate, Sanathnagar, Hyderabad.—(Hyderabad-Andhra Pradesh—Winding Wires upto 41 SWG—300 tonnes p.a; Winding Wires 42 SWG & Thinner—50 tonnes p.a; Litz. Wires—10 tonnes p.a; (NU)

Industrial Machinery

M/s Fenner Cockil Ltd; Post Box No. 117, Madural-1.—(Madurai—Tamil Nadu)—Industrial V Bolts and Fan Belts.—35 lakhs nos. p.a.—(S.E.)

Engineering Industries

M/s Supreme Industries Ltd; P.B. 7107, Wadala, Bombay.—(Bombay—Maharashtra)—Plastic Moulded Goods—12,902. Gms. 21 machines. P.a.—(S.E.)

M/s Blow Plast (P) Ltd; Station Road, Bhandup Bombay.—(Bombay—Maharashtra)—Blow Moulding Goods—140 tonnes p.a. Injection Moulded Goods—220 tonnes p.a. (Total : 360 tbnnes (p.a.)—(C.O.B.)

M/s Geep Flash Light Industries Ltd; Allahabad.—(Allahabad—U.P.)—Plastic Flashlight Cases—9 lakh nos within the overall licensed capacity of 5 million nos. p.a.—(C.O.B.)

Textiles

M/s Poineer Spinners, Kamudakkudi, Paramakudi Taluk, Ramnad District.—(Paramakudi, Ramanathapuram. Tamil Nadu)—Cotton Yarn—18,000 spindles.—(S.E.)

M/s Stretch Fibres (India) Ltd; Moosa Haji Patrawala Compound, 20-Dr. E. Moses Road. Mahalaxmi, Bombay.—(Maharashtra)—Knitted Circular Fabrics.—80 tonnes p.a. Socks/Half Hose—20 "—(S.E.)

Paper & Pulp

Mr Ramesh R. Gupta, 87, Nagdevi Cross Lane, Bombay.—(Roha—Maharashtra)—Paper and Paper Boards—12,250 tonnes p.a.—(N.U.)

M/s Angel Industries, Mahamayatolla, Garia P.O., 24-Paraganas, West Bengal.—(Kalyani, Nadia, West Bengal)—Kraft & Brown Wrapping Papers—3,300 tonnes p.a.—Writing & Printing Papers.—1,650 tonnes p.a.—(N.U.)

Mr Kantilal R. Chordia, 18-Haribhakti Colony, Old Pandra Road, Baroda.—(Kalol, Panchmahal-Gujarat)—Duplex Board—4,000 tonnes, Kraft Paper—2,000 tonnes —(N.U.)

Sugar

The Managing Director, Assam Industrial Dev. Corpn. Ltd; Gauhati.—(Goipani, Dibrugarh, Assam)—Sugar—1,250 tonnes of cane crushing capacity per day.

The Managing Director, Assam Industrial Dev. Corpn. Ltd; Gauhati.—Kamrup, Nowgaung, Assam)—Sugar—1,250 tonnes of cane crushing capacity per day.—

The Co-operative Sugar Factory, Kovur Taluk, Nellore,—(Kovur, Nellore, Andhra Pradesh)—Sugar—1,250 tonnes of Cane Crushing capacity per day.

Mr Bhagawati S.S.K., Pangaon, Taluka Barai, Sholapur.—(Pangaon, Banshi, Sholapur, Maharashtra)—Sugar—1250 tonnes of cane crushing capacity per day.

Timber Products

M/s South India Vioscose Ltd; Race Course, Coimbatore-1—(Coimbatore—Tamil Nadu)—Dissolving Wood Pulp.—42,00 tonnes p.a.—(S.E.)

Letters of Intent

(During the week ended May 25, 1974)

Metallurgical Industries (Ferrous)

Mr R.D. Patel, 'Sanjeev', 7-A, Atul Park, Near Narangpura, Char Rasta, Ahmedabad—(Gujarat)—Malleable Iron Pipe Fittings—2,400 tonnes p.a.—(N.U.)

M/s Bombay Forgings Pvt. Ltd; G.S.T. Road, Kalina, Santa-Cruz, Bomay—(Bombay-Maharashtra)—Closed Die Forgings including Stainless Steel (by Pour Forge method)—4,000 tonnes; Closed Die Forgings (by pour forge)—6,000 tonnes p.a; (Total capacity after 16,000 tonnes p.a.—(S.E.)

Mr R.K. Jain, 903, Akash Deep, Barakhamba Road, New Delhi—(Aurangabad-Maharashtra)—Centrifugally Cast Alloy Steel Tubes—500 tonnes p.a; Alloy Steel Castings—500 tonnes p.a.—(N.U.)

Mr Ajay Sharda 878-A, East Park Road, Karol Bagh, New Delhi—(Ghaziabad-U.P.)—Forged Steel Rolls/Open Forgings—1,200 tonnes p.a.—(N.U.)

M/s Bharat Forge Co. Ltd; Mundhwa, Poona—(Poona-Maharashtra)—Forged Rolls—1,000 tonnes p.a.—(N.A.)

Metallurgical Industries (Non-Ferrous)

Mr S. S. Kantak, Post Box No. 31, Margao, Goa—(Margao, Gao)—Aluminium Collapsible Tubes—15 million nos. p.a.—(N.U.)

Transportation

The Kerala Fisheries Corpn. Ltd; XVI/848-B, Darmodayam Buildings, Shanmugham Road, Ernakulam—(Vizhinjom, Trivandrum, Kerala)—Steel Hulled Deep Sea Fishing Trawlers—25 nos. p.a.—(N.U.)

M/s U.P. State Industrial Development Corpn. Ltd; 117/420, G. T. Road, Kanpur—(Uttar Pradesh)—Automobile Wheels—1 lakh nos. p.a.—(N.U.)

Industrial Machinery

Mr Sivaram Krishnan, Ronald Steel & Rubber Industries, 5-New Market, T. T. Nagar, Bhopal—(Madhya Pradesh)—Bulk Conveyors—25,000 mtrs: Package Conveyors—25,000 mtrs; Bucket Elevators—240 units; Industrial Special Conveyors—1,000 units; Bucket Wheel Excavators—4 nos: Escalators—10 nos. p.a.—(N.U.)

Machine Tools

M/s Gujarat Industrial Investment Corpn. Ltd; Ahmedabad—(Bhavnagar—Gujarat)—Central Lathes—1000 nos. p.a: Column Drilling Machines upto 40 mm capacity—200 nos. p.a; Radial Drilling Machines 40 mm capacity—100 nos. p.a; Hydro-copying attachments—200 nos. p.a.—(N.U.)

Miscellaneous Industries

M/s Ltd; First Pokhrum Road, Thana—(Thana-Maharashtra)—Threading Tools—2 lakh nos. p.a: Metal Slitting Saws—20,000 p.a.—(N.A.)

M/s Gangappa Cables Ltd; Uppal Road, Hyderabad—(Hyderabad-Andhra Pradesh)—Diamond Wire Drawing Dies—1,500 nos. p.a.—(N.A.)

Chemicals (Other than Fertilizers)

Mr C.M. Arya, 8/84, Punjabi Bagh, New Delhi—(Aurangabad-Maharashtra)—Potassium Chlorate—3,650 tonnes p.a.—(N.A.)

M/s Mico Farm Chemicals Ltd; Madras—(Madras-Tamil Nadu)—Lindane Technical—100 tonnes p.a.—(N.A.)

Dyestuffs

M/s Indian Dye-stuff Industries Ltd; Mafatlal Centre, Nariman Point, Bombay—(Kalyan, Thana, Maharashtra)—Vat Pigments—75 tonnes p.a; Quinacridone Pigmenis—10 tonnes p.a Dioxamine—15 tonnes p.a: Phthalocyaline—400 tonnes p.a.—(N.A.)

M/s 'Chemical Industrial & pharmaceutical, 289, Bellasi Road, Byculla, Bombay—(Bombay-Maharashtra)—Trimethoprim B.P.—600 Kgs;—Sulphamethoxazole—3 tonnes.—(N.A.)

Textiles

M/s Shree Sadul Textiles Ltd; Sriganganagar—(Sriganganagar-Rajasthan)—Cotton Cloth—718 looms after expansion—(S.E.)

Paper & Pulp

M/s Agarwal Brothers, 61, Neel Kamal, Poddar Road Bombay—(Dombivli, Thana, Maharashtra)—Carbonising Tissu Paper—2,000 tonnes p.a.—(N.U.)

M/s Poddar Enterprises, 109, Shaikh Memon Street, 2n Floor, Bombay-2—(Dombivli, Thana, Maharashtra)—Duple Paper Board—4,000 tonnes p.a.—(N.U.)

Mr N. Sachindran, Raji Buildings, 147, (Mount Road Madras—(Pondicherry)—Pulp—9,000 tonnes p.a; Paper & Paper Boards—9,000—(N.U.)

M/s Poddar Estates Ltd; 'Hongkong House' 31, Dalhousi Square(s), Calcutta—(Kudal, Ratnagiri, Maharashtra)—M.G Kraft Paper, Wrapping Paper including Kraft Sack Paper—10,000 tonnes p.a.—N.U.)

M/s Vaishali Papers Ltd; 105-A, Rewari Line Industrie Area Phase-III, Mayapuri, New Delhi—(Rewari, Mahendragarh, Haryana)—Kraft Paper—3,300 tonnes p.a.—(N.U.)

Food Processing Industries

Mr I.M. Sharma, c/o M/s Flour Millers Engg. Corporation, Bagadganj, Itwari, Post Box No. 339, Nagpur-1—(Chandrapur-Maharashtra)—Maize Products—30,000 tonnes p.a.—(N.U.)

Vegetable Oils and Vanaspati

Mr G. Balakrishnan, 'Shanmugha', 77-Race Couree Coimbatore—(Dindigul, Madurai, Tamil Nadu)—Cotto Seed Oil and its Bye-products—24,000 tonnes of cotton see per year—(N.U.)

Mr S.K. Sarda, 23-Ring Road, Lajpat Nagar-JV, New Delhi—(Delhi-Union Territory)—Cotton Seed Oil & its bye-products—30,000 tonnes in terms of cotton seed p.a.—(N.U.)

M/s Deoil (Solvent) Industries Pvt. Ltd; 3038, Civil Station Bhatinda—(Faridkot, Punjab)—Cotton Seed Oil & its Bye-products—30,000 tonnes in terms of cotton seed p.a.—(N.U.)

Glass

M/s Hindustan National Glass & Industries Ltd; 2-Welleslay Place, Calcutta-1—(Rishra-West Bengal)—Neutral Glas Bottles & Vials—36,900 tonnes p.a.—(S.E.)

Changes in Names of Owners or Undertakings

(During the week ended May 25, 1974)

(Information pertains to particular licences only)

M/s Motilal Padampat Sugar Mills Company (P) Ltd Kanpur—to—M/s Motilal Padampat Udyog Ltd; Kanpur.

Mr O. N. Chopra, New Delhi—to—M/s Mathur Steel Industries Pvt Ltd; New Delhi.

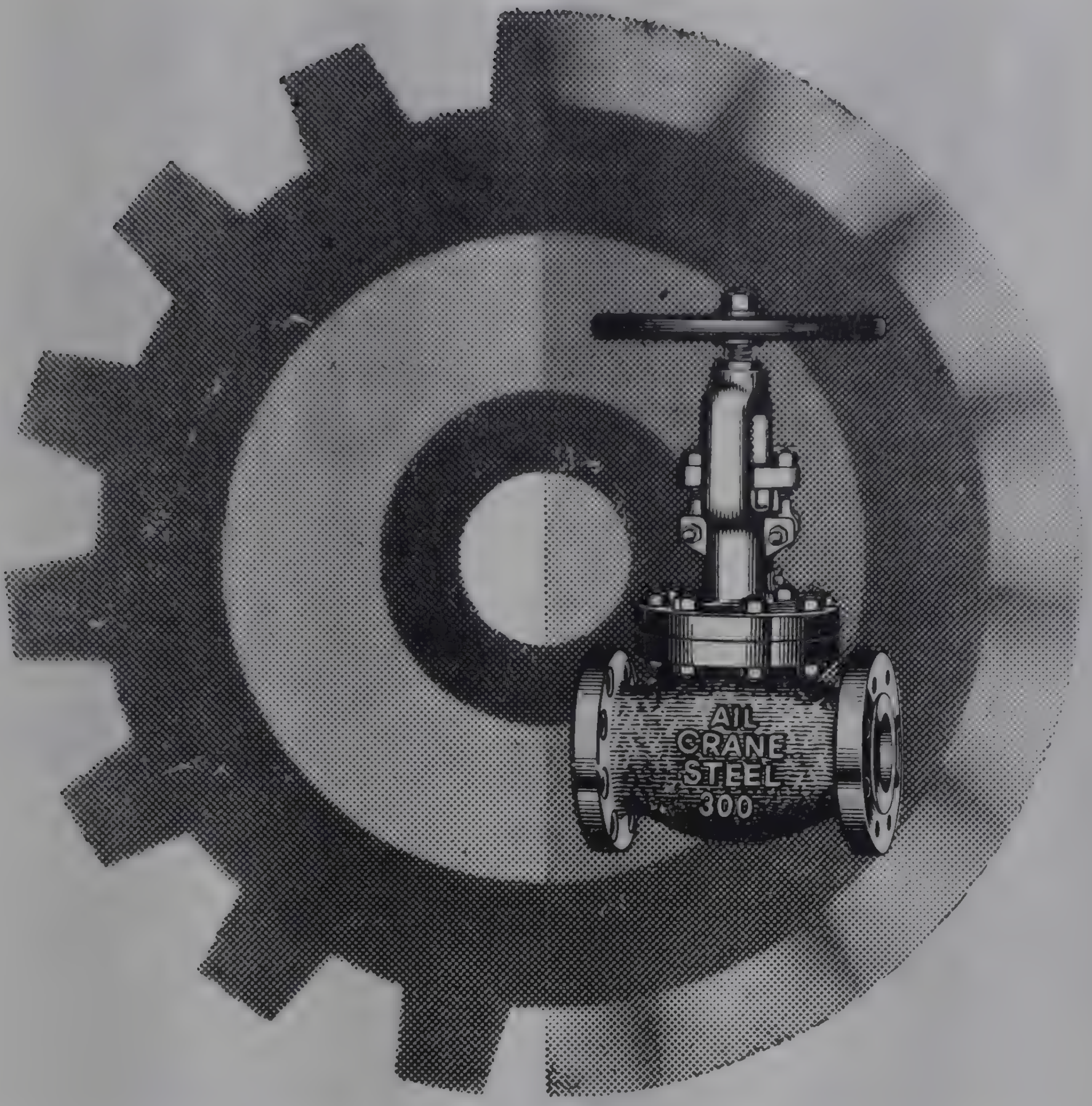
Licences Revoked or Surrenderd

(During the Week ended May 25, 1974)

(Information pertains to particulars licences only)

M/s Pradip Lamp Works, Jay Krishna Road, Patna-9—Lead-in-wires (Revoked)

VLV204R



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RECORDS AND STATISTICS

holesale prices

HE OFFICIAL wholesale prices dex (with the year ended arch, 1962 as 100) recorded a ll of 1.1 per cent to 319.8 uring the week ended October , 1974 as against 323.2 for e previous week. The all-ommodities index at this level as lower by 3.1 per cent when ompared to the correspond-g week of the last month but as higher by 24.9 per cent an that of a year ago. The onthly average for October, 974 worked out to 324.5 as gainst 328.7 for September, 974 and 255.2 for October, 973.

ood Articles

Lower prices of maize —15 per cent), khandsari —7 per cent), moong and turmeric, (—6 each), groundnut il (—5 per cent), eggs and sugar (—4 per cent each), wheat, agi, potatoes and fish (—3 er cent each), milk, mustard il and gur (—2 per cent each), owar bajra, gram and nasoor (—1 per cent each), rought down the index for '*foood articles*" by 1.6 per ent to 374.0 as against 380.0 or the earlier week. However, he prices of onions (+15 er cent), barley (+5 per cent), rad (+3 per cent), bananas nd chillies (+1 per cent ach) advanced.

iquor and Tobacco

The index for "*liquor & obacco*" stood stationary at its earlier week's level of 310.7.

Fuel, Power, Light and Lubricants

The index for the "*fuel, power light & lubricants*" group stood at 318.6 as against 318.7 for the previous week. The price of castor oil (—3 per cent) declined.

Industrial Raw Materials

The index for "*industrial raw materials*" declined by 2.0 per cent to 318.2 as against 324.7 for the last week owing to a decline in the prices of castorseed (—10 per cent), groundnuts and gingellyseed (—6 per cent each) linseed and cottonseed (—3 per cent each), raw cotton and rubber (—1 per cent each).

Chemicals

The index for the "*chemicals*" group remained unchanged at its previous week's level of 300.4.

The index for "*machinery & transport equipment*" group

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Base 1961-62=100)

Group & sub-Group	Week ended Oct. 26, 74	Oct. 19, 74	Aug. 29, 74	Oct. 29, 74
Food Articles	374.0	380.0	389.7	300.3
Foodgrains	426.5	431.2	440.2	294.3
(i) Cereals	398.4	403.5	411.3	267.9
(ii) Pulses	552.9	556.3	562.4	413.2
Fruits & vegetables	282.2	281.4	327.1	289.0
Milk & milk products	327.6	332.7	318.9	311.8
Edible oils	395.8	406.3	411.4	350.6
Fish, eggs & meat	497.2	506.6	535.7	387.6
Sugar & allied products	332.0	343.3	374.4	303.3
Others	284.7	285.3	290.7	200.8
Lituor & Tobacco	310.7	310.7	308.5	249.1
Liquor	215.2	215.2	215.2	180.7
Tobacco	315.1	315.1	315.1	252.2
Fuel, Power, Light & Light Lubricants	318.6	318.7	318.8	194.9
Coal	263.2	263.2	263.2	190.4
Coke	356.3	357.3	357.3	268.4
Mineral oils	395.7	395.7	395.7	197.5
Rectified spirit	323.1	323.1	323.1	306.0
Electricity	186.5	186.5	186.5	161.3
Castor oil	358.8	371.0	380.2	420.3
Industrial Raw Materials	318.2	324.7	352.0	300.5
Fibres	265.7	277.8	310.7	231.3
Oilseeds	387.5	399.6	429.3	377.2
Minerals	158.1	158.1	158.1	153.1
Others	282.7	283.0	282.5	273.2
Chemicals	300.4	300.4	300.4	211.3
Machinery & Transport Equipment	266.8	266.4	261.1	181.6
Electrical machinery	244.2	244.2	240.4	182.9
Non-electrical machinery	307.8	306.0	303.6	197.2
Transport equipment	212.9	212.9	202.5	152.5
Manufactures	260.0	260.7	271.3	209.9
Intermediate Products	322.8	323.0	332.2	288.2
Textile yarn	263.0	263.0	268.4	245.9
Leather	216.8	216.8	230.1	229.1
Metals	394.5	394.5	394.3	339.0
Linseed oil	455.1	459.5	470.8	347.1
Finished Products	244.8	245.5	244.1	191.0
Textiles	237.3	238.4	238.8	189.7
Metal products	282.6	282.6	280.8	231.6
Non-metallic products	259.9	259.9	259.6	190.2
Chemical products	249.0	249.1	238.2	171.1
Leather products (Shoes)	125.4	125.4	125.4	107.3
Rubber products	225.3	225.3	225.3	163.3
Paper products	233.4	233.4	233.4	147.1
Oilcakes	365.1	369.7	379.9	319.8
Misc. products	171.1	171.1	161.1	132.6
All Commodities	319.8	323.2	330.2	256.0

Source: Office of the Economic Adviser to the Government of India, *Ministry of Industry & Civil Supplies.*

stood at 266.8 as against 266.4 for the last week.

Manufactures

"*Manufactures*" group comprising of (a) intermediate products and (b) finished products fell by 0.2 per cent to 260.0 as against 260.6 for the previous week.

(a) The index for "*intermediate products*" worked out to 322.8 as against 323.0 for the last week. The price of linseed oil (—1 per cent), receded.

(b) Lower prices of silk & rayon manufactures (—2 per cent), jute manufactures,
tial oils and oil-cakes (—
cent each) brought dow
index for "*finished product*
0.3 per cent to 244.8 as ag
245.5 for the earlier week.

Index Numbers of Industrial Production

(Base: 1960=1

Group	Weight	1972	1973	January-April 1973	January-April 1974 (Prov)	Percentage change in 1973 / 1972	Percentage change in Jan-April, / Jan-April,
General index (crude)	100.00	199.4	200.7	199.8	202.1	+0.7	+1.2
Electricity generated	5.37	390.7	383.8	373.3	411.1	—1.8	+10.1
Mining & quarrying	9.72	164.2	163.6	171.7	185.0	—0.4	+7.7
Manufacturing	84.91	191.4	183.1	191.5	190.8	+0.9	—0.4
Food manufacturing	12.09	162.6	154.5	157.9	155.1	—5.0	—1.8
Beverages & tobacco	2.22	174.1	178.9	156.5	190.5	—2.8	+21.7
Textile manufacturing	27.06	114.4	113.3	106.9	101.5	—1.0	—5.1
Cotton textiles	21.18	112.6	114.1	105.2	105.4	+1.3	+0.2
Jute textiles	3.97	96.8	90.6	90.7	62.9	—6.4	—30.7
Footwear manufacture	0.21	150.8	151.3	155.9	148.7	+0.3	—4.6
Wood & cork manufacture	0.80	217.7	158.4	155.2	180.8	—27.2	+16.5
Paper & paper products	1.61	226.1	236.4	219.3	242.2	+4.6	+10.4
Leather & fur products	0.43	59.9	76.4	67.9	84.2	+27.5	+24.0
Rubber products	2.22	256.0	250.6	230.1	267.4	—2.1	+16.2
Chemicals	7.26	293.7	301.9	314.3	296.8	+2.8	—5.6
Petroleum refinery products	1.34	317.2	332.8	304.0	344.4	+4.9	+13.3
Non-metallic minerals	3.85	225.2	226.6	218.0	231.7	+0.6	+6.3
Basic metal industrides	7.38	225.3	215.8	231.3	205.2	—4.2	—11.3
Manufacture of metal products	2.51	242.7	240.5	264.9	258.0	—0.9	—2.6
Manufacture of non-electrical machinery	3.38	402.7	454.9	450.8	462.2	+13.0	+2.5
Electrical machinery	3.05	435.0	436.2	423.7	442.6	+0.3	+4.5
Transport equipment	7.77	133.5	148.1	152.0	147.4	+10.9	—3.0
Miscellaneous industries	1.23	86.5	74.5	44.2	96.5	—13.9	+118.3

Source: C.S.O

Index Numbers of Security Prices—All India

Base: (1970-71=100)

Week ended	1973 Nov 3	1974 Oct 5	1974 Oct. 12	1974 Oct. 19	1974 Oct 26	1974 Nov 2
Government and Semi-government Securities	98.9	96.9	96.9	96.9	96.8	96.8
Government of India	98.4	95.9	95.9	95.9	95.9	95.9
State governments	99.9	99.3	99.3	99.3	99.3	99.3
Semi-government institutions	100.8	100.9	100.9	100.9	100.9	100.9
Debentures	97.5	96.8	96.2	96.2	96.0	95.8
Preference Shares	94.1	91.4	91.2	91.2	90.7	90.8
Ordinary Shares	126.1	100.7	99.0	100.9	101.5	100.8
Tea plantations	94.0	101.4	99.1	98.3	98.4	98.2
Cotton textiles	147.1	123.7	120.6	123.0	122.9	122.1
Jute textiles	157.3	140.9	139.3	139.4	139.5	139.5
Silk, woollen and rayon textiles	144.0	117.3	114.9	117.5	117.7	116.4
Iron & steel	80.7	45.0	44.6	48.3	49.0	48.1
Aluminium	83.9	55.7	52.8	53.7	55.7	55.3
Transport equipment	109.3	72.5	71.3	75.2	76.1	74.7
Electrical machinery, apparatus, appliances, etc.	131.0	100.5	99.3	100.2	100.1	101.2
Chemical fertilisers	193.1	138.2	135.6	138.8	139.9	139.2
Other basic industrial chemicals	131.5	99.2	97.4	101.4	101.8	100.6
Cement	107.8	78.2	77.7	80.0	80.8	79.8
Paper and paper products	145.6	149.0	146.9	153.9	155.4	153.3
Rubber and rubber products	115.5	89.3	86.6	90.2	92.9	92.4
Electricity generation and supply	84.1	67.9	66.7	66.9	67.7	67.9
Shipping	146.4	139.7	129.1	125.6	125.3	124.4

Source: Reserve Bank of India

Reserve Bank of India

(Rs lakhs)

	Nov. 1, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	22.25	42,15	21,37	49,98
Notes in circulation	5,941,04	5,957,41	5,598,10	5,630,81
Total notes issued	5,963,28	5,999,56	5,979,46	5,680,79
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	141,74	141,74	141,74	120,93
Rupee coin	18,67	19,94	19,37	6,17
Government of India rupee securities	5,620,35	5,655,36	5,635,83	5,371,16
Banking Department				
Deposits of central govt.	53,11	57,17	59,16	59,98
Deposits of state govts.	12,34	9,02	32,43	21,38
Deposits of banks	606,40	632,64	591,98	745,19
Other deposits	522'00	368,09	371,27	74,06
Other liabilities	1,559,20	1,485,65	1,455,66	1,187,90
Total liabilities or assets	2,753,05	2,552,58	2,510,51	2,088,42
Notes and coins	22,35	42,21	21,44	50,08
Balances held abroad	615,07	459,26	466,08	268,68
Loans and Advances to:				
State governments	129,91	162,18	98,04	137,84
Scheduled com. banks	49,74	63,33	95,40	94,79
State coop. banks	343,10	333,09	318,42	309,62
Other loans & advances	316,62	297,14	289,61	164,72
Bills Purchased and Discounted:				
(i) Internal	105,80	108,10	142,18	41,30
(ii) Govt. treasury bills	745,63	654,62	652,49	446,85
Investments	294,14	335,92	335,50	528,81
Other assets	130,69	96,75	91,36	45,73

Scheduled Commercial Banks

(Rs lakhs)

	Nov 1, ago	A week ago	A month ago	A year ago
1. Demand deposits	4,713,60	4,712,08	4,651,19	4,032,19
2. Time deposits	6,536,99	6,494,15	6,471,27	5,689,40
3. Aggregate deposits	11,250,59	11,206,23	11,122,46	9,721,59
4. Borrowings from Reserve Bank	49,74	63,33	95,40	94,79
5. Cash	274,93	271,98	276,57	279,75
6. Balances with Reserve Bank	587,58	615,05	574,14	730,14
7. Cash and Balances with Reserve Bank	862,51	887,03	850,71	1,009,89
8. Investments in govt. securities	2,759,02	2,727,59	2,673,15	2,342,33
9. Advances	6,349,09	6,318,61	6,244,47	5,334,34
10. Inland bills purchased and discounted	987,22	999,25	1,020,43	922,52
11. Foreign bills purchased and discounted	394,71	387,45	380,90	275,96
12. Total bank credit	7,731,02	7,705,31	7,645,80	6,532,82
Percentage of:				
(7) to (3)	7.67	7.92	7.65	10.39
(8) to (3)	24.52	24.34	24.03	24.09
(12) to (3)	68.72	68.76	68.74	67.20

Source: Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1973	1974				
	Oct 26	Sept 27	Oct 4	Oct 11	Oct 18	Oct 25
A. Money Supply with the Public	9,929	10,912	10,985	11,044	11,042	11.043
Currency with the public	5,790	6,105	6,146	6,217	6,198	6,161
Other deposits with the Reserve Bank	34	60	51	44	44	47
Bank money	4,105	4,747	4,788	4,783	4,800	4,835
B. Factors Affecting Money Supply (1+2+3+4—5)						
1. Net bank credit to government sector (a+b)	8,710	9,239	9,311	9,378	9,436	9,479
(a) Reserve Bank's net credit to government sector	6,291	6,511	6,540	6,603	6,655	6.652
(b) Other bank's credit to government sector	2,419	2,728	2,771	2,775	2,781	2,827
2. Bank credit to commercial sector (a+b)	8,128	9,574	9.560	9.533	9.546	9,552
(a) Reserve Bank's credit to commercial sector	301	550	542	527	519	515
(b) Other bank's credit to commercial sector	7,827	9,024	9,018	9,006	9.027	9.037
3. Net foreign exchange assets of banking sector	595	537	528	526	513	522
4. Govt.'s net currency liabilities to the public	490	509	510	511	510	513
5. Non-monetary liabilities of banking sector (a+b+c)	7,994	8,947	8,924	8,904	8.963	9,023
(a) Time deposits with banks	5,966	6,810	6,828	6,839	6,844	6,802
(b) Net non-monetary liabilities of RBI	1.206	1,430	1,441	1,431	1.463	1,466
(c) Residual	822	707	655	634	656	755
C. Aggregate Monetary Resources [A+B5 (a)]	15,895	17,722	17,813	17.883	17,886	17.845

Source: Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973 July	1974 Feb.	1974 Mar.	1974 April	1974 May	1974 June	1974 July
(Base: 1949=100)															
All-India	169	213	212	215	226	233	251	304	295	325	334	344	357	366	378
(Base: 1960=100)															
All-India	—	—	174	177	186	192	207	250	243	267	275	283	294	301	311
Ahmedabad	130	168	165	169	176	181	198	245	236	260	264	272	284	290	295
Alwaye	145	183	198	197	198	202	215	267	275	273	288	293	312	322	338
Asansol	140	168	176	187	189	194	206	245	234	253	274	286	298	301	312
Bangalore	144	172	180	183	186	194	212	265	250	234	286	286	292	299	306
Bhavanagar	132	173	176	178	186	194	217	273	266	239	285	297	306	302	310
Bombay	130	162	167	175	182	190	203	233	235	243	249	259	259	277	282
Calcutta	131	163	170	172	182	187	197	228	217	241	255	254	272	276	232
Coimbatore	132	151	147	152	163	177	189	218	210	236	246	258	269	272	280
Delhi	136	172	178	185	199	211	222	255	256	280	296	309	325	330	335
Digboi	138	198	185	180	189	188	198	234	222	255	256	260	273	282	297
Gwalior	139	191	179	184	191	197	214	271	263	299	312	316	329	339	342
Howrah	137	178	181	176	186	191	206	239	225	255	270	274	280	255	291
Hyderabad	140	167	173	185	189	195	211	251	255	263	271	273	277	284	291
Jamshedpur	136	183	171	190	183	187	202	249	238	275	278	293	307	311	317
Madras	134	151	150	160	170	182	203	229	225	241	248	261	268	271	280
Madurai	128	146	148	162	183	193	206	236	225	251	257	266	282	298	311
Monghyr	151	215	185	188	203	204	225	292	264	343	347	344	337	360	378
Mundkayam	138	173	186	191	197	199	210	263	267	272	286	291	309	323	333
Nagpur	138	164	166	176	187	192	203	256	259	275	277	277	295	299	308
Saharanpur	141	188	176	181	186	196	213	253	241	280	290	294	311	318	333
Sholapur	128	165	167	176	185	198	216	277	281	282	279	288	295	302	314

Source: Labour Bureau, Govt of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973 June	1974 Feb.	1974 Mar	1974 April	1974 May	1974 Jun
All-India	132	159	161	167	174	180	192	221	211	233	238	244	251	25
Bombay	132	153	156	162	168	172	183	204	206	210	213	222	231	23
Delhi—New Delhi	131	154	162	178	174	180	190	217	205	230	236	238	248	25
Calcutta	126	152	156	162	170	174	180	204	193	213	219	221	227	22
Madras	133	154	154	161	175	188	204	221	222	245	250	257	264	26
Hyderabad—Secunderabad	133	155	159	167	174	180	193	223	216	230	237	240	248	25
Bangalore	133	156	160	162	172	180	194	223	215	242	246	250	258	26
Lucknow	132	159	156	161	166	174	185	215	202	229	235	243	248	2
Ahmedabad	131	160	162	168	171	173	188	222	218	229	33	239	253	2
Jaipur	133	162	168	176	183	188	205	214	227	250	266	274	280	2
Patna	139	170	174	191	190	199	199	229	216	249	59	253	261	2
Srinagar	134	160	157	174	184	191	200	215	225	229	237	244	244	2
Trivandrum	131	165	168	172	178	184	198	231	218	260	250	258	266	2
Cuttack—Bhubaneswar	142	164	167	169	176	184	196	221	208	242	239	242	246	2
Bhopal	133	166	166	172	180	188	204	238	224	254	258	261	258	2
Chandigarh	129	155	165	171	178	183	194	217	206	229	237	241	246	2
Shillong	123	155	163	164	166	175	183	208	196	219	217	229	233	2

Source: CSO

Facing food facts

It is clear now that the government of India is depending upon fairly large imports of wheat to tide over the food shortage this year. How substantial this dependence will be would depend con- lerably on the size of the next *rabi* harvest. Meanwhile the government is showing mmendable energy in procuring food from abroad. The European Economic Com- unity as well as its member-countries individually, the United States, Canada, Australia d Sweden are the main sources of these imports, some of which are in the form of l and some more are on concessional terms, while the balance is bought on a com- ercial basis. There is no need for the country or even for its government to be asham- of this. On the contrary, both may take pride in the fact that every effort is being de to alleviate hunger, ward off starvation and prevent famine deaths in the scar- y areas of eastern India. When a community or its government gives high priority the saving of the lives of its citizens, it is behaving precisely as any civilized society ght to. There is no room here for prestige or prejudice.

At the same time there is wisdom in the Food minister's view that no useful pur- se will be served by trading in pessimism regarding the food situation. While it is rtainly necessary that the country should be aware of the difficulties it faces, the ad- nistration of an effective food policy will be hampered rather than helped if a crisis confidence is prompted or provoked. It is undoubtedly the case that there is some thholding of grain by farmers. It is also true that the trade too is sitting on stocks to me extent. Equally important is the fact that at least the more well-to-do consumers e being tempted to buy more than they may strictly need for immediate consumption. these circumstances it is right that the government should firmly resist scare-mon- ring and that its spokesmen conduct themselves publicly in a way which reassures e people that there is no likelihood of the situation getting out of hand.

It is of course overwhelmingly important that, at the same time, the government achinery should not only work but should be seen to be working efficiently in provi- oning the scarcity-stricken areas of the country, while maintaining food distribution in ner regions in reasonably good order. Here the central government by itself cannot expected to do all. Sincere cooperation from the state governments is absolutely sential. They should realize that the minimum needs of the worst-affected areas n be met only if restraint is exercised in indenting on the centre for the requirements the public in other parts of the country. It is sad but true that the sense of national sponsibility has not always been in evidence. On the contrary, there have been cases bilateral deals being struck between the governments of the deficit states and those surplus states for the supply of foodgrains by the latter to the former over the head the central government. There was a time when such transactions would have been ectively discouraged. Unfortunately, the lax administration of the nation's food airs in recent years has allowed these chaotic tendencies to emerge and develop. The esent Food minister seems to realize that this rot cannot be allowed to grow. This is good sign.

Mr Jagjivan Ram also seems to be attaching importance to avoiding further in- eases in procurement prices. This policy will be fair to the farmers only if the govern- nt also sees to it that open market prices are not unreasonably in excess of procure- nt prices. The food trade is rightly against the state taking over distribution at the olesale level. It must realize that there will always be political pressure on the vernment to enforce state-trading so long as the normal trade channels fail to ensure availability of foodgrains in the open market at reasonable prices. It is obvious t the food problem is just not going to go away. It is therefore all the more neces- y that farmers, traders, state governments and the centre should take a long view of ir respective responsibilities and sit down to work out a relatively stable policy for tribution and prices. It is only in this manner that food policy could be rescued from

eastern
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the uninformed or irresponsible pressures of hand-to-mouth politics.

At the same time, however sound the government's food pricing and distribution arrangements may be, the prices of foodgrains are bound to remain relatively high. The days of one rupee-a kilo of wheat or rice are gone for ever. As a matter of fact, to the extent that some of the surplus states are endeavouring to step up the export of superior qualities of foodgrains, particularly rice, the domestic consumer is bound to be hit in his pocket. This has been very much the case for instance in Delhi in recent weeks. Given the need for improving the nation's export earnings, particularly for the purpose of enabling it to pay for the commercial imports of foodgrains, export of better qualities of rice or, perhaps, wheat cannot be wholly objected to. Nevertheless, in view of the fact that such exports do contribute to boosting the general level of prices of foodgrains within the country, there is good reason for the government to be circumspect.

Since the government must necessarily attempt to cover the cost of commercial food imports as much as possible by securing additional revenues from exports, a search must continue relentlessly for possibilities of increasing exports. Currently, given the high prices of sugar in world markets, the country could earn as much as Rs 130 crores if it could manage to export about 100,000 tonnes more of sugar. The government has since taken the sensible step of offering fiscal and other incentives for higher sugar production. It should also explore the merits of a suggestion that has been made to it for substituting in the sugar ration a certain quantity of *khandsari*. Since *khandsari* of the good quality is nearly as good as sugar of inferior quality, this substitution may not call for any excessive sacrifice on the part of domestic consumers of rationed sugar. If *khandsari* could be brought into the public distribution system in this manner, additional quantities of sugar could be saved for export. Whereas there are strict limitations on raising the level of sugar production in the country in the short period, the high prices available for sugar in world markets at the present time will have to be taken advantage of by our country in the immediate present. Consequently, the possibility of conserving sugar for export by inducting *khandsari* into the channels of controlled distribution deserves to be consisidered seriously.

The Indo-Pakistan trade agreement could lead to some useful developments. Although the Pakistan government, for reasons of its own, has been queuing for food aid, it is possible that Pakistan itself may be able to sell some quantities of foodgrains to this country. The scope for this trade should be explored by New Delhi. Again, India should be able to import appreciable quantities of raw cotton from Pakistan. It is to be hoped that these import possibilities are not frustrated by any short-sighted raw cotton lobby. in our country. India's export trade in cotton textiles is suffering because of buyers' markets abroad. It is therefore ve desirable that our competitive capaci should be strengthened by all possib means. This would mean, among oth things, an ample supply of raw cotto for our textile mills at prices which wou give a competitive edge to our expo trade. The restraining of raw cotto prices, moreover, would be a powerful a to the government's price policy in gener and more particularly to the regulatio of the prices of farm commoditie including foodgrains and oilseeds. Th trade agreement provides for trade bala ces to be settled in convertible currencie It would however be to the common ben fit of both countries if a rough balanc is aimed at at as high a level of trading possible so that there may be substanti exchange of such goods as the import export of which in large quantities cou be of help to the respective economies.

LIC and servicing of policyholders

Mr K. R. Puri, the chairman of the Life Insurance Corporation of India (LIC), has rightly taken pride in the performance of the corporation in 1973-74. Not only that the new business at Rs. 2,586 crores was an all-time record but the number of policies secured under individual assurances also showed improvement over the previous year. What was more, the Group Insurance Scheme gained popularity during the year under review as the number of new schemes was as high as 638 for a sum assured of Rs 662 crores covering 668,957 new lives. At the same time, Group and Superanuation Scheme was a big success as the new business assured from schemes in the public sector including state governments was as much as Rs 423 crores.

However, the LIC has not given a good account of itself in one respect, namely, the unchanging premium rates charged since 1956, the year in which all life insurance companies were nationalised. It was expected that the premium rates would be reduced in the light o the general improvement in the mortali experience of the people and particularl of the insured public. Also, there was steep fall in overhead costs after the na tionalisation of the private insuranc companies which should have been refle ted in reduced premium rates. Th reason advanced by Mr K.R. Puri, chai man of the LIC for not lowering dow the premium rates was thc increasin operational costs because of the shar rise in prices and wages. This was hardl convincing because the rate of rise in ne business was much higher than the rat of rise in the wage bill. It was unde standable that the bonus rates after 197 could not be increased because of th heavy mortality strain of the Indo Pakistan war of 1971. Surely, there wa strong case for a reduction in premiu rates and it was necessary for the chai man of the LIC to take measures fo meeting this long-standing demand of th public.

Also, the expenses ratio of the LI had risen once again. In 1971-72, i stood at 14.36 per cent but it droppe to 13.72 per cent in 1972-73. In the yea under report, it had once again risen t 14.99 per cent mostly because of th increase in dearness allowance to th mployees. As the new business of the LIC had been increasing at a fast pace, it was expected that the expense ratio would continue to drop but this had not happened. Surely, there was need to keep a close watch on the expenses of the LIC.

There is no doubt that the present chairman of the LIC has shown better understanding about its affairs than his predecessors who were either bureaucrats or bankers. Having come up slowly from within the organisation, he has exhibited increased awareness about the problems facing it. His success in increasing the volume of business year after year is praiseworthy but unless service to policyholders is also improved, the LIC will continue to be bracketed with the majority of the inefficient public sector undertakings. Hardly a day passes when policyholders do not express their anguish through the columns of newspapers regarding the poor service doled out to them by various branches of the LIC.

In his statement at the 220th meeting of the board of governors of the LIC held in Bombay on November 9, 1974 Mr Puri conceded that the nature of the corporation's services to the clients was an important factor in assessing its achievement. It was in this connection that he stated that the corporation had been adopting measures to improve its services to policyholders. He specifically mentioned settlement of claims, prompt payment of loans, adjustment of deposits and decentralisation of additional functions to branches "for carrying the services to the door of the policyholders".

In this connection, it is necessary to underline the need to revamp the machinery associated with the appointment of agents. Although new rules have been framed with the approval of the central government so as to have an effective agency force yet, unfortunately, they are not being strictly followed for one reason or the other. Consequently, the dead wood and *benami* agencies which should have been weeded out by now are still in existence. Even some new agency appointments are being made without keeping in view the spirit of these rules. No wonder that this is a source of great disappointment to the professional as well as the new agents who wish to make selling of life insurance a career. Moreover, lakhs of rupees every year are being paid by the LIC as renewal commission to these *benami* agents who render no service to the policyholders.

Traditionally all life insurance companies have received considerable support and assistance from the professional insurance agents. In fact, some of the leading insurance agents in this country, although their number is very small, also have very efficient offices of their own which provide a number of facilities to policyholders insured through them. The LIC may fail to send its premium notices to the policyholders but the record of insurance agents are so well-kept that they invariably, through post as well as personal persuasion, urge the policyholders to pay their premiums within the grace period. The renewal commission paid to these established insurance agents is fully justified and, in fact this is the very objective of paying annual renewal commission to them. A serious attempt, therefore, should be made to reduce the number of *benami* agencies and encouragement should be given to the professional agents. It may affect the procurement of new bussiness in the initial stages but in the long run it will definitely benefit both the policyholders by way of good personalised service and the LIC by way of effecient and stable agency force.

There are many cases of the employees of the corporation having agencies in their own names. True that this is a legacy of past but it is high time that it is stopped because numerous malpractices continue to flow from it. An employee of the corporation who also holds an agency is half the time busy in new business and providing .services to his clients while neglecting the office work entrusted to him. In the divisional offices particularly such employees are a source of irritation as well as nuisance as they tend to ignore the tasks assigned to them. It is suggested that such employees who have agencies in their own names should be transferred to branch offices where they may continue to underwrite business in favour of their own agencies but cannot afford to neglect the work allotted to them. At the same time the practice of giving new agencies to the members of the staff should be stopped forthwith.

In offices where housing loans are given and the persons working in that department also hold agencies in their own names or in the names of their close relations an attempt is made to coerce the loanees to take out fresh life insurance policies irrespective of the fact whether

Eastern Economist 30 Years Ago

Dec. 8, 1944

While the Government is engaged in laying down long-range plans, there is a serious danger that the short-range and immediate tasks may be so severely neglected as to jeopardize the success of the long-range plans themselves. Any long-rang plan must depend essentially on the fullest mobilization of our savings which would be possible only if the existing productive facilities remain fully mobilized and efficient so that national income and saving capacity may be kept at the highest level. The immediate and urgent task is, therefore, undoubtedly to keep our existing productive facilities fully mobilized and at the highest pitch of efficiency. But the Government's wartime economic policy, so far as it has been reflected in action or inaction, has not been always calculated to help the attainment of this primary immediate end.

The ponderous machinery of economic control which the Government has at last set up through a process of trial and not inconsiderable error, has sometimes operated cumbrously and has even countered the primary ends in view. Economic controls may either play a positive and expansionary role, or function as a restrictive force. In India, thanks to the controls, a wide range of industries have almost continuously found themselves inhibited and frustrated much short of their full productive potentialities due to a multiple bottleneck of fuel, raw materials, imported equipments, transport facilities, fiscal policy and general administrative incompetence.

they have the capacity to keep the policy alive or not. These persons are interested in their first year's commission which tantamounts to a bribe for the completion of the papers for the grant of loan for house-building. This is an evil which needs to be rooted out by transferring such persons from such sensitive sections in the LIC. In fact, staff working in such sensitive departments should be transferred every three years or so to other departments. This will help in job rotation and will also give them the experience about other departments resulting in the betterment of their prospects in the corporation.

One of the economy measures taken is to reduce further recruitment which again is not a healthy decision specially in respect of certain departments whose workload has been on the increase. After a life has been ensured and the preliminaries have been completed, the burden of servicing the policy falls on the Policyholders Services (PHS) section. Every year the number of policies in this section grows by leaps and bounds. Surely inordinate increase in work-load in this section will result in reduced efficiency. The time has come when the LIC should endeavour to put more emphasis on service to policyholders instead of running after ever-increasing volume of new business. As a service organisation, it is its main function to give satisfactory service to its clients. If it fails in it, the staggering figures of new business and total business in force lose their significance altogether.

Steel puzzles

THE RECENT developments on the steel front have been so intriguing that the authorities have begun wondering what exactly is the level of consumption of different categories of steel and what is the extent of dependence on imports. The situation has vastly changed in recent months and open market prices for several types of Steel have declined by nearly 40 per cent and except for plates there is a lack of demand and even accumulation of stocks against firmly placed orders by industrial consumers. Attempts on the part of the Steel Authority of India to clear the congestion of stocks at the steel plants by expediting movement by railways have resulted only in a bulge in stocks elsewhere and it has become necessary to stagger imports apart from making strenuous efforts to step up exports of unwanted items. The mistake obviously lies in the union ministry's failure to anticipate easier availability of light structurals with the functioning of mini steel plants and of strip, skelp and other items with an improvement in the operating efficiency of the major steel units.

It has so happened that the anticipated increase in the availability of steel to seven million tonnes in 1974-75 from 5.67 million tonnes in 1973-74 has made all the difference though there should still be a shortage of 12½ per cent if the estimate of firm demand of eight million tonnes is any guide. It was actually indicated by the Iron and Steel Controller sometime back that indents from consumers amounted to as much as 20 million tonnes making it difficult for the government to plan production and imports properly. There should not have been any deflation of demand to the extent witnessed recently if even 50 per cent of the earlier indents were intended to meet genuine needs. The improved availability is due to a bunching of imports which may amount to even 1.1 million tonnes if there is no postponement of deliveries. The orders placed in the current year are for 538,000 tonnes while unfulfilled contracts account for 512,000 tonnes. The mini-steel plants will be making a contribution of 840,000 tonnes and the major steel plants 5.04 million tonnes.

These estimates are likely to be realised as it was only recently indicated in Parliament that the targets fixed for the three public sector plants will be reached. The Jamshedpur plant of Tata Iron and Steel Company has been faring exceptionally well with better supplies of coal and iron ore. Indian Iron and Steel Company too has been functioning more efficiently. It must be, however, pointed out that the targets fixed for Bhilai, Rourkela and Durgapur units are not in any sense ambitious. Actually the target for B has been fixed lower at 1.66 million t nes of finished steel against the ac production of 1.68 million tonnes in 19 74. The performance in the first months has, of course, been satisfact at 94,000 tonnes of ingots and with improvement in the operations in winter months, it can be expected that record of 1.89 million tonnes in 1973 will be equalled. But the fact rema that there is under-utilisation of capac In respet of Rourkela, a higher target 1.25 million tonnes of ingots has been ed against the output of 1.08 milli tonnes. It is, however, unlikely that t target will be reached as there is the sh tage of power and the actual production April-September was only 478,000 tonn

Durgapur, of course, has be acquitting itself creditably as the target one million tonnes of ingots has been f ed against the actual production 776,000 tonnes in 1973-74. It will be difficult job to reach this target as t actual production in the first half-ye ended September 30, 1974 was o 380,000 tonnes. Tata Iron and Steel h of course, been making good progr with production of ingots in the fi seven months rising to 959,000 tonn from 872,000 tonnes and salable steel 792,000 tonnes from 662,000 tonnes. Ev IISCO has raised its output to 235,0 tonnes from 179,000 tonnes in the corre ponding period in 1973-74 and aggrega production may be higher by 100,0 tonnes if all goes well.

The achievement of an output of a l tle over 4.1 million tonnes of ingots three major plants of Hindustan Ste against 3.81 million tonnes in the previou year will, of course, be establishing ne trends in steel production. But the units will still be operating at only per cent of rated capacity and if the ef ciency can be improved by another 10 p cent, it will be possible to raise the ou put by over half a million tonnes. As t Bokaro project also will commence rolli of its ingots from the middle of next ye and mini steel plants can contribute easi one million tonnes with an easier pow situation, there is no reason why impor cannot be cut to the bone. There will al have to be a change in the pattern oduction of the major units. As there e imbalances on account of the more portant role played by mini-steel plants d the re-rollers there is wasteful use of luable capacity. Except for flat proicts, there need not be any shortage ough it is likely that there will be a pick p in consumption with a revival in onomic activity and larger exports of ngineering goods.

The latest developments have, therere, come as an eye opener and there an be no denying the fact that huge ums have been wasted in importing unanted steel at high prices. The position such that attempts to raise exports have rought about a slump in world prices r bars, rods and other light structurals nd heavy inventories will have to be aintained by SAIL and others for seveal months. The engineering units also re experiencing difficulty in lifting tocks on account of the credit squeeze nd it is being reported that HSL has een obliged to effect supplies against 0 days bills. In these circumstances, it as to be examined how the engineering nits can be helped to raise their output nd meet domestic demands more promply besides securing larger export orders. Vith a clear indication of what is the apacity for absorption of the home market, the union Steel ministry has to reorient its plans and eliminate as far as ossible expenditure in foreign exchange on imports. Any further increase in domestic consumption can be met to a great extent by the major steel and ministeel units and imports should be confined only to categories in short supply.

The assessment of steel needs of the country is, of course, in sharp contrast with the earlier fears of continuing shortage. The demand for steel products is undeniably elastic as it is conditioned to a great extent by the pace of implementation of plan schemes by the government. It will therefore be prudent to proceed on the assumption that the growth of steel consumption can be much higher with reorientation of economic policies and expeditious implementation of new and continuing schemes in the core sector. It is only stated that the requirements of the home market and for export purposes can be met without much difficulty with the backlog of imports and a better use of steel-making capacity. The opportunity should also be utilised for streamlining the methods of distribution and improving the capability of the existing units to reach much higher levels of output, if need be, with the elimination of bottlenecks and the installation of balancing equipment.

Adequate credit for exporters ?

In his letter to the banks announcing the credit policy for the current busy season, Mr. S. Jagannathan, the governor of the Reserve Bank, stressed the need for ensuring the flow of adequate funds for export purposes. "There should be no slackening of our export efforts", he said, and emphasised that "the special requirements of export credit should continue to be accorded high priority". The governor observed that the policy of applying the concessionary rate of interest on export credit to periods not exceeding 90 days except in regard to post-shipment credit arising out of exports to the western hemisphere would continue. He explained that the objective of this measure was mainly to bring about a faster turn-round of funds. He also clarified that in exceptional cases where exporters faced unavoidable difficulties or delays in obtaining essential inputs or shipping space, the banks would show special consideration.

Though the banks are always supposed to give high priority to exports, in practice many industries, both traditional and non-traditional, continue to face difficulties in getting timely and adequate credit. In recent months many responsible industrial organisations, export promotion councils, and even state governments have brought to the notice of the government of India as well as the Reserve Bank specific instances where exports have suffered on account of the lack of sufficient credit. It is significant that even an industry of great importance to export promotion as tea has also complained about the inadequacy of credit.

The Consultative Committee of Plantation Associations said in a memorandum a few weeks ago that the credit curbs did not take into account the seasonal character and the special features of the tea industry, or the size of the crop, the cost of inputs, the marketing conditions and other relevant factors. The committee also expressed the fear that, as a result of the credit restrictions, tea companies might be tempted to give more attention to local sales than to foreign markets. The jute, cotton textile, engineering, chemical and pharmaceutical industries have also been experiencing difficulties in getting export credit on competitive terms. It appears that, generally, banks have not been keen to lend money for export since they find it to be less remunerative than other lines of business. The Engineering Export Promotion Council said in a seminar held at Calcutta recently that the exporters in the eastern region had no participation in the grant of credit at higher level mainly because of the procedural problems and indifference of bankers to grant credit to exporters in the eastern region.

That the difficulties of the export industries in getting credit facilities are not at all exaggerated will be evident from the recommendations made recently by the panel set up by the Commerce ministry on this subject. The panel has estimated that credit of the order of Rs. 900 to Rs 1000 crores will be required during the current financial year to achieve the target of Rs 3000 crores of export earnings. The panel has suggested that in formulating the needs of the export sector, the credit against the deferred payment exports should not be taken into account. It has pointed out that the present interest rate of 11.5 per cent is excessive and that this should be lowered. It has also stressed the need for ensuring some stability in the interest rates for export credit. Other important recommendations of the panel are that exporters should be given the benefit of a uniform interest rate after the limit of

90 days, that for certain categories like engineering goods, chemicals and allied products and textiles the period of credit should be for 180 days, and that additional credit should be made available where shipping delays occur. The ministry of Finance and the ministry of Commerce should examine carefully the recommendations of the panel and see to it that the necessary modifications of the credit policy are brought about so that our exporters are able to avail themselves of the vast opportunities that at present exist in various parts of the world.

It will be recalled that the Export Policy Resolution of the government of India which was adopted in 1970 stressed the importance of export finance. It said that the provision of adequate and timely finance was "indispensable for both export production and export marketing". It assured that every effort would be made to expand and strengthen the facilities in the form of packing and post-shipment credit, which were being provided by the commercial banks with the support of the Reserve Bank of India and the Export Credit and Guarantee Corporation and place them on an internationally comparable basis. Further, the Export Policy Resolution stated that the nationalised banks would evolve "fresh programmes and new patterns" for their financial and technical services to the export community with a view to inducing entrepreneurs to expand and adopt their production and enable them to enter into enduring relationships with overseas importers and to offer them attractive terms and conditions. But it is clear from recent developments that the banks are yet to be fully geared to export promotion because of the shortage of funds with them and the reluctance of the Reserve Bank to provide sufficient refinance facilities for export ecredit.

Meanwhile, the Industrial Development Bank of India (IDBI) has claimed in its annual report for 1973-74 that it has been playing the role of an export bank. The report reveals that in the last ten years of its existence (July 1964 to June 1974), it has sanctioned export finance (excluding guarantees and special credit to Bangladesh) of the order of Rs 86.6 crores, which formed 56 per cent of the value of term export orders financed by it under its export finance schemes. Of this assistance about 18 per cent (Rs 15.4 crores) was for the public sector agencies or companies. The export goods financed by it included steel rails and bars, railway wagons, transmission line towers, automobiles and spares, sugar mill machinery and diesel engines. However, most of the assistence is given only in respect of exports for three countries namely Iran (Rs. 23.76 crores mainly for transmission line towers and conductors), Yugoslavia (Rs. 17 crores for wagons) and A.R.E. (Rs. 10.66 crores for textile machinery). Although the sanctions of export assistance during the last ten years amounted to Rs. 113.4 crores, the actual utilisation was only Rs. 62.1 crores of which direct export loans amounted to Rs. 35.7 crores, refinance of export credit Rs. 24.6 crores, and guarantees executed Rs. 1.8 crores.

The report of the IDBI says that in the field of export finance it has "deepened its commitments in the provision of increasing export term credit needs which the commercial banks by themselves could not have met". It refers to the facilities offered to the porters of capital goods, for covering cost of construction projects abro introduction of the buyers' credit schen and provision of export counselling a assistance to exporters in carrying negotiations with importers in forei countries. Despite these services r dered by the IDBI as well as by the co mercial banks, it is felt in business circ that there is need for setting up export/import bank. The Federation Indian Chambers of Commerce a Industry and several other industrial a export organisations have also suggest that the establishment of such a separ institution for providing export finance necessary. This question is now bei examined by a committee set up by union Commerce ministry. Whether t country actually needs an export/imp bank at present or whether the existi banks and other institutions can the selves provide finance to exporters ad quately and effectively may be debatab But there is no doubt that unless export are able to secure sufficient credit fa lities on competitive terms, it will difficult for them to contribute their b to augment the country's earnings foreign exchange.

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Indo-Pakistan Trade • US Mining Mission • Fifth Plan

THE SIGNING of the Indo-Pakistan trade rotocol here last week-end has importance ot only from the point of view of restorng after nearly a decade the trade and economic relations between the two countries but also from the overall objective of ormalising relations between them, in egard of which parleys have been going n for nearly a year now in pursuance f the Simla agreement between Mrs ndira Gandhi and Mr Z.A. Bhutto.

arlier scope

The protocol, a result of the high level alks at the official level, under the leaderhips of Mr Y.T. Shah, Secretary of the ndian ministry of Commerce, and Mr Ejaz Ahmad Naik, Pakistan's Commerce ecretary, envisages a series of steps durng the next few weeks for restoring trade between the two countries, the first step being the lifting of the ban on this trade on December 7. The lifting of this ban is to be followed up this month itself by talks between the representatives of the two countries on the restoration of shipping services and initiation of preparations for opening up again the rail and road links. Next month in Islamabad is proposed to be signed a comprehensive trade agreement between the two countries. Mr Y.T. Shah will lead a delegation to the Pakistani capital for this purpose.

Some trade, however, is envisaged to be conducted even prior to the finalisation of the comprehensive agreement next month. The protocol includes a provision for this purpose. This trade will be on government-to-government account or through government-controlled agencies.

The resumption of trade on private account, however, is expected to take some time, even though the protocol does not rule it out even before the finalisation of the comprehensive agreement. This is because the restoration of road, rail as well as shipping links between the two countries is yet to be negotiated. The start with trade on government-to-government basis or through the government-controlled agencies is considered an immediate feasibility. It is proposed to be conducted in foreign bottoms till the Indo-Pakistan shipping services are restored.

According to the protocol, the trade between the two countries is to be carried on in freely convertible currencies within the framework of the foreign exchange regulations in force from time to time in each country. The two countries will accord to each other the "most favoured nation" treatment in accordance with the provisions of the General Agreement on Trade and Tarifis (GATT).

maximum possible trade

The trade is **not** envisaged to be on a balanced basis. Both Mr Shah and Mr Naik stressed this point at a joint press conference which followed the signing of the protocol. The two countries, they observed, would endeavour to buy from each other whatever they could at internationally competitive prices. This could result in either country having a more favourable balance of trade which would be adjusted in freely convertible currencies. Although a good deal of discussion took place between the two delegations on this issue, it was pointed out by Mr Shah and endorsed by Mr Naik that the idea of having balanced trade was dropped because it was not considered conducive to the growth of substantial trade.

With a view to facilitating resumption of trade even before the comprehensive agreement is signed, the protocol lists several commodoties which can be traded in immediately. These include cotton and cotton textiles, engineering goods, jute manufactures, iron ore, railway equipment, rice and tea. The inclusion of iron ore in this list was cited by Mr Naik as an example of Pakistan's earnestness to trade with India. He pointed out that even though Pakistan would be having its first major steel manufacturing unit four to five years hence, it wanted to explore the possibilities of importing iron ore from India. Some imports of iron ore, therefore, had to be effected in the near future for the purposes of analysis.

liquidating stocks

The inclusion of cotton in the above list is understood to be of special significance for Pakistan because due to the current global recession in textile trade, large stocks of exportable cotton have piled up there.

The above list, obviously, will be expanded a great deal in the comprehensive agreement to be signed next month; it is considerably weighted in favour of exports from India. Otherwise also, the economic developement that has taken place in the two countries in the last two decades should suggest that the two countries can profitably trade with each other in many more commodities. In fact, as a result of the separation of Bangladesh from Pakistan, Pakistan is understood to have sizeable surplus capacities in various industries, particularly those which used to cater for the requirements of East Pakistan which is now Bangladesh. Similarly, India is in a position to supply a large number of commodities to Pakistan not listed in the protocol. This holds out prospects for the trade between the two countries on a scale much larger than about Rs 10 crores in 1965-66 when the trade ties were snapped by Pakistan following the second Indo-Pakistan conflict in that year.

Significantly enough, the protocol does not contain any mention of rock salt and betel leaves and nuts in which the two countries used to have sizeable trade upto 1965-66. The omission of betel leaves and nuts from the list of commodities contained in the protocol, Mr Naik explained, had its genesis in the controversy raging in Pakistan over whether to allow the imports of these two items or not.

The protocol does not also make any mention of border trade between the two countries. The discussion on it was postponed because of the complex nature of this trade. It is likely to be held at Islamabad next month when the other issues relating to trade on private account would be taken up.

The following is the full text of the protocol signed last week-end:

Recalling the provisions of the Simla Agreement of 1972 to restore and normalise progressively relations between the two countries,

Reaffirming the desire of their respective governments for resumption of trade and cooperation in economic and other agreed fields,

Resolving to explore possibilities of establishing channels of trade on a mutually beneficial basis,

Realising the significant opportunities arising out of economic growth in the two countries, and

Desiring to develop and extend the commercial relations between their two countries on the basis of equality and mutual benefit,

The delegations of India and Pakistan, which met in New Delhi from 26 to 30 November, 1974, have agreed as follows:

(1) Necessary steps will be taken by both countries to lift the embargo on trade between the two countries with effect from December 7:

(2) Trade will be conducted on the basis of free convertible currency in accordance with the foreign exchange regulations in force from time to time in each country.

(3) Trade between the two countries will be on the basis of the most favoured nation treatment in accordance with the provisions and decisions of the GATT.

(4) To begin with, and unless otherwise agreed, trade will be conducted on government-to-government basis or through government-controlled trade corporations of the two countries, for which purposes representatives of the concerned organisations will meet from time to time.

In this connection, the immediate possibilities of commencing trade in the following commodities was noted:

Cotton, engineering goods, jute manufactures, iron-ore, railway equipment, rice, and tea.

(5) Keeping in view the importance of immediate restoration of direct shipping services between the two countries for facilitating the movement of goods and trade, it was agreed that experts of the two countries should meet in December, 1974, to work out details in this regard. Likewise, discussions will be arranged at a mutually convenient time for the restoration of the rail links to serve mutual trade.

(6) A trade agreement will be concluded between India and Pakistan in the near future for which purpose a delegation from India will visit Pakistan in the first week of January, 1975.

This protocol will come into force on the date of signing.

* *

Considerable significance is being attached both in Indian and American circles to the deliberations of the high level US trade mission, comprising mining equipment manufacturers' and consultants, which is here currently to explore the possibilities not only of direct sales of American mining equipment but also the prospects of entering into joint ventures or arranging of production of this equipment by Indian parties under licensing arrangements. In view of the current energy crisis, both on the gloabal and home fronts, any assistance for stepping up our mining production is welcome. If the output of coal, lignite or crude oil can be raised expeditiously through the use of better equipment, it will help in meeting more effectively our growing energy requirements. The increase in the output of other minerals, particularly non-ferrous ores, can assist in accelerating the process of industrialisation. If such ores as iron and manganese ores can be processed and than exported, the increase in their value can help in augmenting export earnings.

Very significantly, it was pointed out by the members of the US mission at a press conference here on Monday that the psychological barriers to US investments in India had been broken and the US investors were now again keen to invest in India. There was no inhibition on their part to participate in joint ventures with the public sector. The interest of the US investors in India had also grown recently because they had come to realise that this country was in a position to manufacture very sophisticated equipment and machinery. They felt that they could have fruitful joint manufacturing programmes here not only for catering for the domestic requirements but also export to other countries in which they would like to market their products. The US investors, it was further pointed out, now seemed to be better appreciative of India's rules and regulations governing foreign investments. They, however, would like to negotiate the terms and conditions of every joint venture propoal individually.

Another very significant observati
made by the members of the mission
the press conference was that US bu
nessmen would be willing to extend cred
to enable Indian entrepreneurs to impo
equipment. These credit could be r
paid either in the form of exports to t
US of finished products that would
produced with the help of the import
equipment or out of the earnings from t
resultant production which could be us
locally or exported to third countri
The former arrangement could take t
form of link deals and the latter that
deferred payments. It was also point
out that the emphasis in Indo-Americ
economic relations had now shifted fro
aid to trade. It was stressed that the
was good scope for the exports of India
engineering goods, particularly au
assemblies, castings and forgings to t
United States.

The US mission as well stressed the in
portance of our switching over from e
ports of mineral ores to those of processe
ores and finished products. The expor
of processed minerals alone could ea
for the country nearly ten times the f
reign exchange earned at present. Ho
the processing facilities were to be create
they however, stressed, was India's ow
concern. Some assistance, of cours
could be available from abroad.

* *

Two conflicting statements have bee
made in the past few days about th
fifth Plan. Addressing the copper foru
here last week, while Mr. M.S. Pathak,
member of the Planning Commissio
expressed the view that no modificatio
was called for in the Plan, the union minis
ter for Finance, Mr C. Subramaniam,
reported to have told pressmen in Calcutt
that the "Plan was still in the draft stag
and would have to be finalised". Th
presumably will have to be done takin
into consideration the current constraint
on the economy. In the light of the abov
one wonders what the state of the Plan is.

The need for a modification in the role
of the public and private sectors during th
next few years, however, is increasingl
being felt in governmental circles her
Not only the union minister for Industr
and Civil Supplies, Mr T.A. Pai, has bee
emphasising in the past few weeks th
urgency of modifying the concept of th
core sector of industry, but also faced wit
financial constraints and production lags
the union ministry of Finance is under
stood to be inclined to allow a greate
scope for the private sector in steppin
up industrial output. The MRTP Ac
therefore, may be amended soon to assis
the private sector to expand production i
many areas.

Changing face of Chambal command area

J. S. Sisodia

ADHYA PRADESH is one of the richest ates in the country as far as natural sources such as forests, minerals and ater potential are concerned. The state ssesses immense water potential in its ighty rivers, the Chambal, Betwa. en, Mahanadi, Wainganga, Narmada d Indravati. The percentage of irri- ated area in the state is, however, only out 7.8 which is perhaps the lowest in e country. The Chambal — a tributory the Yamuna — is a major river of the ate and its potential had remained al- ost untapped till 1961 when irrigation om the Chambal project was started in 1030 acres.

xtreme climate

The Chambal command area consti- ites the tehsils of Bhind, Mehgaon and ohad of Bhind district (the remaining ahar tehsil has also been included here r the sake of better comparison) and mbah, Morena, Jaura, Sabalgarh, Vijai- ur and Sheopur of Morena district. The ea is sandwitched between the Chambal ver on the west, and north-west and orth and hilly forested areas towards the outh consisting of Imalia, Meta, Balabia, hatipura, Kulaith and Songhpur reserv- d forests. The command area narrows own as it goes towards Bhind district iving it the shape of an elephant trunk. he soil is broadly alluvial. The entire ommand area has an extreme climate.

The gross area under the Chambal com- and is 1.625 million acres. The cultur- ble command area is 723,000 acres with 0 per cent irrigation intensity in Morena nd 80 per cent in Bhind, the irrigable area roposed was 700,000 acres. The project as completed by the end of the third lan and the total cost incurred was s 467 million.*

The main object of this article is to take tock of the changes that have taken place in the agricultural set-up of the Chambal command area of Madhya Pradesh since the commencement of the Chambal canal, due to the availability of irrigation facility. The impact of irrigation on agriculture may thus be analysed in terms of land utilization and cropping pattern, yield levels of principal crops and other related aspects. The data have been obtained from the directorate of Land Records, Madhya Pradesh.

(a) *Land use*: The first and foremost impact of irrigation is reflected through changes in the land utilization pattern of the Chambal command area after the release of water for irrigation purposes. Mainly because of assured water facility and therefore certainty of field crops, the intensity of land use has substantially increased as may be seen from Table I. This is indicated by the extent of culturable waste lands (which is only 6.98 per cent of the total geographical area of Chambal command area during the triennium ending 1971-72) and the area under fallows and pastures, i.e., another form of less intensive use (8.04 per cent).

land use classes

Further, these land use classes have shown a gradual reduction between two points of time. Permanent pastures and other grazing lands have been reduced considerably in Mehgaon tehsil from 25.03 per cent in the triennium beginning 1959-60 to 5.80 per cent in the triennium ending 1971-72. The land use class "miscellaneous tree crops and groves" has remained the same (0.09 per cent) in Bhind district in both the periods under review. The area under forests has slightly increased.

The intensity of land use is finally reflected through the extent of net sown area. The net sown area accounts for 44.67 per cent of the total geographical area of the region during the average period of 1969-72. The net area sown in the Chambal command area was 39.70 per cent in the triennium starting 1958-59. It varies from 10.86 per cent in Vijaipur tehsil to 79.71 per cent in Mehgaon tehsil. The net sown area accounts for 75.65 per cent of the total geographical area in Bhind district. The corresponding figure for Morena is only 32.86.

(b) *Cropping pattern*: The cropping pattern of Chambal command area has undergone substantial changes since the commencement of the Chambal canal. It has now become possible to raise new crops as compared to only a few drought resistant crops in the region. The present cropping pattern and the changes that have taken place therein are given in Table II. The most noticeable change has been in respect of lower, gram, wheat and total oilseeds. The proportions of gross cropped area devoted to jowar and gram in the region have gone down from 11.68 and 28.09 per cent respectively, in the triennium starting 1959-60 to to 7.41 and 22.36 per cent respectively, in the average period of 1969-72. The importance of jowar has substantially declined in the tehsils of Ambah, Morena, Vijaipur and Sheopur. In the case of gram, substantial decline in importance took place in Ambah, Morena, Jaura, Sabalgarh and Sheopur tehsils of Morena district. Likewie, bajra, maize, barley and tur have also shown a decline in their importance in the Chambal command area.

paddy cultivation

On the other hand, paddy is coming up gradually which is a new crop in the region. The proportions of the area devoted to wheat, oilseeds and commercial crops (sugarcane, all fruits and vegetables, condiments and spices, all fibres and all oilseed) had increased considerably from 15.85, 11.25 and 12.74 per cent, respectively, to 21.12, 19.09 and 20.16 per cent. The proportion of gross cropped area devoted to wheat, oilseeds and commercial crops increased substantially in nine out of the 10 tehsils of the Chambal command area. The entire area under maize has now been diverted to the cultivation of other crops. Thus the above analysis clearly suggests that the introduction of high value crops

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Irrigation in Madhya Pradesh at a Glance : iovernment of Madhya Pradesh, Irrigation ept., December 1970.

TABLE I

Changes in Land Use Pattern in Chambal Command Area

(In percentages)

Period/tehsil	Forest	Not available for cultivation			Other uncultivated land excluding fallow land				Fallow land			Net are sow
		Land put to non-agri. use	Barren and un-culturable land	Total pastures	Perma-nent tree crops and other grazing land	Misce-llaneous waste and groves	Cultiva-vable	Total	Old fallow	Current fallow	Total	
1	2	3	4	5	6	7	8	9	10	11	12	1
1959-62												
Gohad	1·07	5·20	5·64	10·84	7·71	0·03	5·77	13·51	0·68	0·59	1·27	73·
Bhind	0·70	5·69	20·48	26·18	7·14	0·05	1·84	9·04	0·33	0·30	0·63	63·
Mehgaon	—	4·45	7·77	12·22	25·03	0·08	3·09	28·20	0·25	0·38	0·62	58·
Lahar	—	5·95	12·26	18·21	6·83	0·22	3·89	10·94	0·36	0·82	1·18	69·
Bhind Distt.	0·44	5·32	12·06	17·38	11·81	0·09	3·49	15·40	0·39	0·50	0·89	65·
Ambah	—	8·08	14·98	23·06	7·30	0·01	2·35	9·67	0·37	0·69	1·06	66·
Morena	4·96	10·22	12·86	23·08	7·54	0·002	5·31	12·85	0·93	1·00	1·93	57·
Jaura	12·58	6·47	22·89	29·36	9·93	0·007	8·57	18·51	0·70	0·69	1·39	38·
Sabal garh	17·03	7·22	24·09	31·31	8·53	0·01	4·54	13·08	0·73	0·80	1·53	37·
Vijaipur	42·67	3·77	22·14	25·91	6·03	0·002	16·58	22·61	0·73	0·63	1·36	7·
Sheopur	39·33	4·18	10·56	14·74	6·48	0·73	15·92	23·13	0·69	1·15	1·84	20·
Morena Distt.	27·33	5·64	17·23	22·87	7·23	0·24	11·62	19·09	0·70	0·83	1·53	29·
Chambal Command Area	19·62	5·55	15·75	21·30	8·55	0·20	9·29	18·04	0·61	0·73	1·34	39·
1969-72												
Gohad	0·09	5·89	3·32	9·21	6·96	0·02	2·24	9·22	0·70	0·36	1·06	79·
Bhind	4·50	6·66	11·48	18·14	6·99	0·04	0·87	7·89	0·53	0·22	0·75	68·
Mehgaon	—	6·05	5·34	11·39	5·80	0·04	1·76	7·60	0·65	0·65	1·30	79·
Lahar	—	6·66	6·61	13·27	6·65	0·29	1·69	8·63	0·53	0·36	0·88	77·
Bhind Distt.	1·62	6·35	7·07	13·43	6·64	0·09	1·58	8·31	0·60	0·38	0·98	75·6
Ambah	—	7·82	14·28	22·10	7·04	—	1·25	8·29	0·50	0·36	0·86	68·7
Morena	5·36	9·02	11·21	20·23	6·98	—	2·56	9·44	0·70	0·41	1·11	63·8
Jaura	13·88	6·13	25·08	31·21	5·64	—	6·84	12·18	0·41	0·63	0·84	41·5
Sabalgarh	17·08	7·71	23·40	31·11	8·34	—	2·72	11·66	0·78	0·75	2·37	39·3
Vijaipur	43·31	3·68	21·44	25·12	5·68	—	14·03	19·71	0·48	0·52	1·00	10·8
Sheepur	39·44	4·23	10·60	14·82	6·14	—	12·12	18·26	1·15	1·14	2·29	24·9
Morena Distt.	27·81	5·50	17·07	22·57	6·34	—	8·98	15·32	0·73	0·71	1·44	32·8
Chambal Command Area	20.58	5.74	14.31	20.05	6.43	0.03	6.93	13.39	0.69	0.62	1.31	44.6

h as wheat, paddy and commercial ps had been made possible because of igation facilities. These crops cover re than 45 per cent of the total cropped ea (average of 1969-70 to 1971-72).

It will be interesting to note that out the 10 tehsils under study, only Sheopur hsil witnessed an increasing trend in the portance of total pulses, total food ains and total food crops in the cropping ttern. The most striking feature in ble II is that in Sheopur tehsil the pro- rtion of gross cropped area devoted commercial crops has shown a substan- al reduction.

(c) *Irrigation*: Very often multiple opping is promoted by irrigation, as n be seen from Table III. The proportion of gross irrigated area to gross opped area in the region during the eriod 1959-62 was found to be 7.47 per ent which for the triennium ending 1971- 2 had increased to 23.02 per cent. The roportion of gross irrigated area to gross opped area had increased very con- derably in Sheopur, Sabalgarh, Jaura, ohad, Mehgaon and Morena tehsils and a moderate extent in the Lahar, mbah and Bhind tehsils. The increase n irrigated area has been most pro- ounced in the Morena district.

anal irrigation

As regards sources of irrigation, the hare of canal irrigation in the total irri- ated area continued to increase in almost ll the tehsils of the Chambal command vith the exception of Bhind tehsil where anal irrigation showed its declining im- ortance (Table IV). Tank and 'other irri- ation' have lost heavily from 7.73 and 4.53 per cent, respectively, to 2.23 and .94 per cent, respectively. Tube-well as a ew source of irrigation (which did not xist at the triennium beginning 1959-60) ow claim 5.08 per cent of the total irri- ated area.

The importance of canals and tube- vells, owing to the assured sources of rrigation provided by them, is much reater than the proportion of the area rrigated by them. Table V gives the hare of each crop irrigated to total rrigated area under all crops. While vheat claimed 34.66 per cent and total ulses 21.94 per cent of the total irrigated rea before the commencement of the anal, they now claim 50.15 and 23.34 er cent respectively, of the total irriga- ed area in the region. An opposite

TABLE III

Irrigated Area and Cropping Intensity in Chambal Command Area

Tehsil/district	Proportion of gross irrigated area to gross cropped area		Intensity of cropping	
	1959-62	1969-72	1959-62	1969-72
Ambah	10.36	20.04	101.48	104.13
Morena	6.27	19.99	103.44	103 91
Jaura	4.18	23.67	105.61	110 42
Sabalgarh	7.97	34 39	113 23	125 02
Vijaipur	10 25	12 62	127 26	134.50
Sheopur	4.67	36 44	101.13	104 48
Morena District	5.07	25 38	105.81	110.52
Gohad	15.15	29 64	105.91	106 26
Bhind	4.45	12.39	100.78	100.53
Mehgaon	13.96	27.52	103 06	103.51
Lahar	2.18	11 88	100 29	100.24
Bhind District	10.19	20.10	102 44	102.53
Chambal Command Area	7.47	23.02	104.21	106.79

TABLE V

Cropwise Irrigated Area as Per Cent of Total Irrigated Area

Period/tehsil	Paddy	Wheat	Barley	Total cereals and millets	Total pulses	Total food grains	Total food crops
1959-62:							
Gohad	63.42	20.21	0.36	84.01	8.96	92.97	97.11
Bhind	0.01	37.91	6.53	44.44	42.32	86.77	90.62
Meghgeon	24.05	32.89	1.40	58.34	32 81	91.16	95.62
Lahar	0.15	30.70	8.11	38.98	35.57	74.55	93.97
Bhind District	31.38	29.33	2 68	63.38	26.48	89.86	94 81
Ambah	—	40.95	1.26	42.21	0.99	43.20	94.04
Morena	62.07	29.50	0.19	88.69	3.58	92.27	99.12
Jaura	0.90	45.47	0.95	47.20	2.34	49.66	99.11
Sabalgarh	0.02	49.33	0.41	49.76	9.67	59.42	99.40
Vijaipur	—	57.76	2.30	60.30	11.30	71.60	99.40
Sheopur	—	45.86	1.62	47.48	42.71	90.19	99.35
Morena District	13.57	44.07	1.02	58.70	13.93	72.63	99 21
Chambal Command Area	24.94	34.66	2.08	61.69	21.94	83.63	96.40
1969-72:							
Gohad	40.68	37.86	0.43	78.99	15.54	94.57	96.88
Bhind	0.05	47.20	3.88	51.15	33.70	84.84	86.36
Meghgaon	12.97	46.98	0.93	60.88	27.59	88.47	89.70
Lahar	0.19	50.68	4.17	50.04	36.93	91.97	93.79
Bhind District	19.22	44.17	1.71	65.11	25.50	90.60	92.36
Ambah	0.02	60.87	0.99	61.89	6.40	68.28	70.21
Morena	12.53	48.85	0.49	61.78	10.24	72.02	73.77
Jaura	0.03	43.95	0.37	44.36	15.73	60.09	64.40
Sabalgarh	0.72	47.16	0 23	48.11	25.11	73.22	78.58
Vijaipur	1.96	60.03	2.24	64.22	17.50	81.73	93.14
Sheopur	0.94	60.99	0.82	62.25	34.22	96.47	98.58
Morena District	1.80	54.01	0.67	56.49	21.96	78.44	81.97
Chambal Command Area	8.63	50.15	1.08	59.87	23.34	83.21	86.04

TABLE II

Cropping Pattern in Chambal Command Area

(In percentages)

Period/Tehsil	Paddy	Jowar	Bajra	Maize	Wheat	Barley	Cereal and millets	Gram	Tur	Total pulses	Total food-grains	Total food crops	Total Commercial crops	Total oil seeds	Fod cro
1959-62															
Gohad	9·83	4·96	0·88	—	34·65	1·90	52·23	32·66	1·80	38·97	91·20	91·88	7·81	6·88	0
Bhind	0·01	9·98	18·58	*	8·41	11·76	48·73	25·86	9·44	38·65	87·38	87·82	12·10	11·54	0
Mehgaon	3·46	8·04	6·15	*	21·30	5·85	44·74	32·37	4·52	41·77	86·51	87·18	13·10	12·26	0
Lahar	0·01	11·42	14·62	*	7·78	11·11	45·08	33·94	8·96	45·26	90·34	80·84	9·34	8·48	0
Bhind Distt.	3·27	8·61	10·29	*	17·86	7·75	47·81	31·02	6·26	41·03	88·85	89·43	10·59	9·80	0
Ambah	—	15·35	19·98	*	4·68	5·66	45·68	29·89	8·22	41·26	86·94	87·53	12·17	11·18	0
Morena	4·13	10·29	17·51	*	14·09	2·28	48·30	29·32	7·64	40·92	89·22	89·73	9·78	8·63	0
Jaura	0·59	8·29	36·35	0·05	8·14	2·63	46·07	32·05	5·83	41·18	87·25	89·47	10·73	7·80	1
Sabalgarh	0·32	3·96	30·23	*	10·57	0·48	45·65	33·43	3·46	38·08	83·73	87·02	13·32	9·66	2
Vijaipur	0·24	5·75	29·51	1·01	14·82	0·91	52·30	20·30	1·24	24·13	76·43	79·31	22·49	18·96	0
Sheopur	0·08	31·43	1·15	0·24	29·32	1·65	63·75	9·81	0·11	13·29	77·04	78·47	21·94	20·33	0
Morena Distt.	0·91	14·33	18·78	0·14	14·08	2·45	50·72	25·51	4·73	33·18	83·91	85·54	14·64	12·53	0
Chambal Command Area	1·58	11·68	14·81	0·07	15·85	4·93	49·36	28·09	5·45	36·8[illegible]	86·22	87·26	12·74	11.25	0
1969-72															
Gohad	12·13	5·32	0·79	—	36·47	1·67	56·38	27·26	1·95	33·98	90·36	91·08	8·82	8·15	0·
Bhind	0·01	6·83	19·03	—	12·07	10·51	48·47	25·49	7·20	36·79	85·26	85·47	14·61	14·36	0·
Mehgaon	3·57	7·51	5·97	—	24·50	3·79	45·35	26·67	4·42	38·48	83·83	85·43	16·01	15·62	0·
Lahar	0·03	9·78	14·31	—	14·40	6·53	45·05	34·06	7·85	44·63	89·68	89·92	10·16	9·88	0·
Bhind Distt.	3·89	7·32	10·28	—	21·65	5·77	48·91	28·28	5·39	38·38	87·28	87·66	12·42	12·01	0·
Ambah	*	5·31	13·88	*	18·14	2·44	39·80	13·99	8·00	26·52	66·32	66·71	32·98	32·46	0·
Morena	2·87	3·51	14·08	—	18·04	0·56	39·06	13·99	7·15	25·25	64·31	64·68	35·03	33·93	0·
Jaura	0·11	1·91	18·61	0·08	14·91	0·56	36·21	16·45	7·59	28·87	65·08	66·14	33·36	30·83	1·
Sabalgarh	0·52	0·11	23·70	*	21·19	0·38	45·91	26·34	5·29	32·52	78·43	80·31	19·45	17·30	2·
Vijaipur	0·49	1·94	36·15	0·57	13·75	0·64	53·54	18·34	2·31	21·42	74·96	76·43	22·80	21·09	2·
Sheopur	0·22	23·33	3·81	0·09	31·57	0·99	60·02	17·57	0·34	22·61	82·62	84·20	16·17	14·53	1·
Morena Distt.	0·68	7·49	16·08	0·09	20·71	0·98	46·03	17·54	5·04	26·20	72·73	73·35	26·44	24·85	1·
Chambal Command Area	2·12	7·41	13·48	0·05	21·12	3·13	47·32	22·36	5·20	31·66	78·98	75·77	20·16	19·09	0·

* Less than 25 acres

TABLE IV

Proportion of Area Irrigated by Different Sources in Chambal Command Area

(in percentages)

Tehsil/District	Net area irrigated (in acres)		Percentage area irrigated by									
			Canals		Tanks		Wells				Others	
							Tubewells		Other wells			
	1959-62	1969-72	1959-62	1969-72	1959-62	1969-72	1959-62	1969-72	1959-62	1969-72	1959-62	1969-
Ambah	1817	36613	—	59·52	4·84	—	—	35·07	94·06	4·90	1·10	0·
Morena	9212	29237	47·81	65·79	34·65	10·56	—	0·96	16·14	22·10	1·40	0·
Jaura	6610	42262	—	81·20	—	—	—	14·35	96·20	4·22	3·80	0·
Sabalgarh	10684	54023	0·10	82·30	17·94	3·84	—	0·07	76·57	13·71	5·39	0·
Vijaipur	6994	13020	16·84	41·81	21·95	9·83	—	0·66	59·91	47·37	1·30	0·
Sheopur	9180	88284	89·36	98·64	0·16	0·47	—	0·15	10·29	0·62	0·19	0·
Morena Distt.	44497	263439	31·00	80·60	15·16	2·60	—	7·38	51·40	9·17	2·44	0·
Gohad	28962	54950	85·45	88·71	8·84	4·48	—	—	4·82	3·92	0·89	2·
Bhind	20495	29054	96·90	90·36	0·21	0·02	—	5·74	2·66	3·73	0·21	0·
Mehgaon	24965	51248	94·08	89·19	0·35	0·14	—	—	5·40	10·38	0·17	0·
Lahar	4081	24569	—	77·46	1·59	0·19	—	1·54	98·26	20·78	0·15	0·
Bhind Distt.	75503	159821	86·74	87·43	3·51	1·62	—	1·28	9·30	8·55	0·45	1·
Chambal Command Area	123000	423260	66·58	83·18	7·73	2·23	—	5·08	24·53	8·94	1·16	0·

ıd is, however, discernible in other ividual crops and groups of crops.

d) *Yield rate of crops*: There is little dence to show that the rate of outturn acre of the important crops has gone since the inception of the Chambal ıal. Sesamum in Bhind and sugarıe in Morena have shown an increase their yield of about 55 and 22 per cent, pectively, (Table VI).

proved efficiency

It may further be added that Bhind and orena districts rank second and thirnth in the Madhya Pradesh state as far agricultural efficiency is concerned.* Bhind district the agricultural efficiency proved by 5.78 points while in Morena trict the agricultural efficiency declined 8.61 points between 1955-56 and 1965-. The linear rate of growth of agriculal efficiency in these two districts durthis period shows a declining trend 2.55 and 2.93 per cent per annum resctively). Extension of irrigation is ely to increase the yield rate whereas tension of cultivation to marginal land likely to decrease it.

(e) *Size of holdings*: The size-class tribution of land holding in this region hibits all the characteristics associated th the agrarian structure in countries th heavy pressure of population on land. ıus the preponderance of small holdings ntinued in the region. It was more an 50 per cent during 1953-54; this creased to nearly 65 per cent during 67-68 (Table VII). The area under small ldings also increased from 17.25 to 26.07 r cent in Morena and 15.05 to 24.89 r cent in Bhind. On the other hand, e corresponding figures for medium rms have decreased slightly while for and large farms these figures appear have declined significantly compared 1953-54.

As may be seen from Table VIII, the erage sizes of small, medium, big and ge holdings have decreased more than o and a half times in the region comred to 1954-55. From the above data it ıy be concluded that the number farming households has increased nificantly resulting in the reduction of average size of holding in the Chambal command area.

From the foregoing analysis, it may be concluded that with the commencement of irrigation by the Chambal canal the intensity of land use has increased and new crops are being taken up by the farmers. The introduction of high value crops such as wheat, paddy, cotton, sugarcane and oil-seeds has been made possible because of irrigation facilities. The rate of outturn of principal crops has not gone up. In some parts irrigated area as well as multiple cropping have made headway. Farming households have increased vastly.

TABLE VI

Yield Rates of Principal Crops in Chambal Command Area

(in lbs per acre)

Crop	Bhind		Morena	
	1959-62	1969-72	1959-62	1969-72
Rice	1127	947	1224	710
Wheat	910	874	783	679
Jowar	902	727	532	516
Maize	—	—	972	702
Gram	971	619	788	718
Tur	572	502	540	460
Sugarcane	2639	2134	2821	3450
Groundnut	—	—	989	591
Sesamum	165	255	199	168
Linseed	329	282	352	267

TABLE VII

Distribution of Number of Holdings and Area in Chambal Command Area

(in percentages)

District/year	Size distribution, holdings and area							
	Small		Medium		Big		Large	
	H	A	H	A	H	A	H	A
Morena								
1953-54	53.46	17.25	35.63	42.35	10.26	32.45	0.65	7.75
1967-68	64.37	26.07	29.76	46.65	5.63	23.26	0.24	4.02
Bhind								
1953-54	50.77	15.05	35.77	40.32	17.78	38.26	0.68	6.37
1967-68	64.96	24.89	28.27	44.65	6.58	27.58	0.19	2.88

NOTE: The size-classes used are "small (up to 5 acres), medium (5 to 15 acres), big (15 to 30 acres) and large (30 acres and above)".
H=Holdings; A=Area.

TABLE VIII

Average Size of Holdings in Chambal Command Area

(in acres)

Holding size group	Bhind		Morena	
	1954-55	1967-68	1954-55	1967-68
Small	5.68	2.03	5.70	2.13
Medium	21.64	8.38	21.15	8.38
Big	57.57	22.26	56.04	21.97
Large	177.76	77.76	210.15	87.89
Overall	19.19	5.31	17.71	5.29

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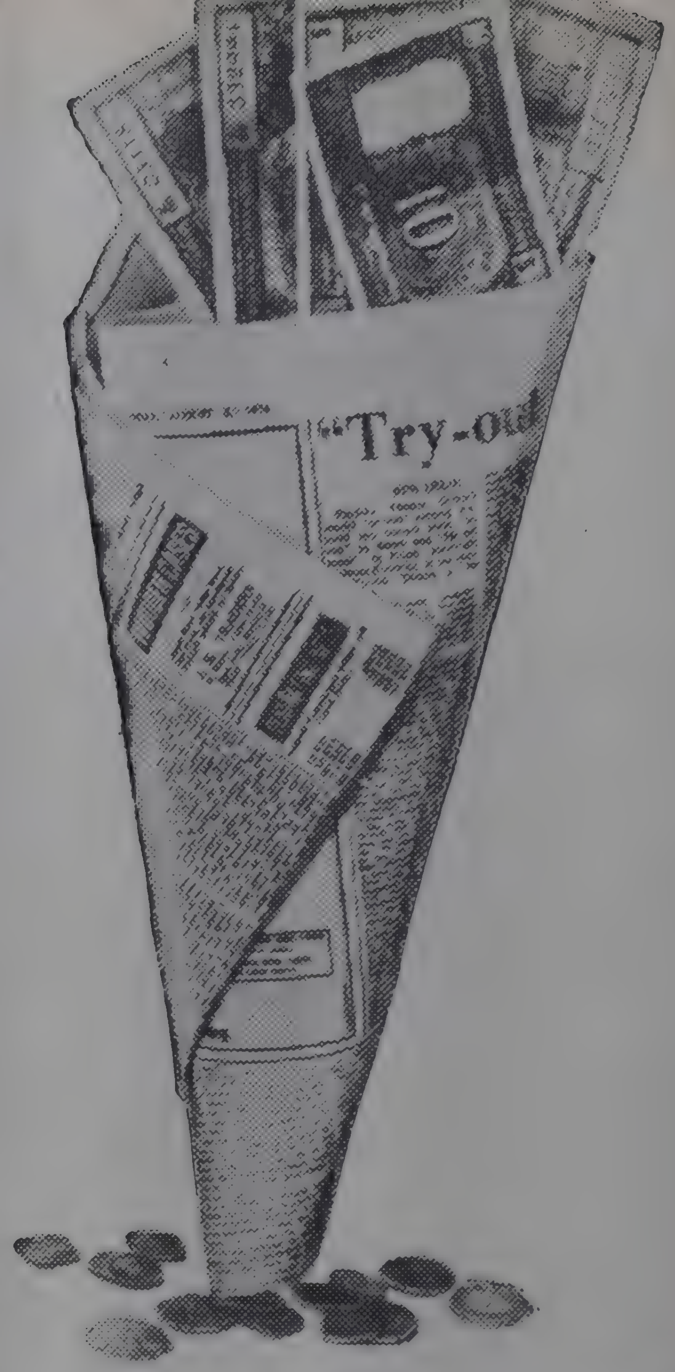
* J. S. Sisodia : "Inter-district Variations, anges and Trends in Agricultural Efficiency in adhya Pradesh"; *Agricultural Situation in India*; l. xxv, No. 9; December 1970.



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WINDOW ON THE WORLD

Here and there in western Europe—III

V. Balasubramanian

Brandt takes a hard look • An ambulance case • The forgotten south • Inflation Italian style • Strikes Italian style • Has banking failed Britain? • Has Britain failed industry? • Welsh farmers on the warpath • Brussels with a pinch of sugar • Our man in Rome

Peace of mind is one thing which western Europe does not know. Its political prospects are as distracting as are its economic problems. Although Britain's Foreign secretary, Mr James Callaghan, has lately been saying that getting out of the Community could be as traumatic an exercise for his country as getting into it was, it is clear that the Treaty of Rome may have to undergo a sea-change into something strange, even if not exactly rich, if Britain's membership of the Community is not to prove nasty, brutish and sharp. In the Federal Republic of Germnny the hard reality of this situation has been recognized promptly enough and Mr Willy Brandt, with whom the Chancellor is reported to be in agreement, is now openly campaigning for the idea of the Community's survival in its enlarged dimensions being secured through the creation of a second-class membership for its three poorer members, viz, Italy, the United Kingdom and Ireland. The Brandt thesis that Brussels has got to come to terms with the truth that, just as its individual members may have its backward areas demanding privileged or concessional treatment of their economic problems and needs, the Community too has its backward constituents who cannot be expected or depended upon to share equally with the more affluent members, viz, the Federal Republic of Germany, France, the Benelux countries and possibly Denmark the commitments and obligations of the Common Market or the Treaty of Rome. Although the Brandt thesis has caused much disquiet and even some resentment in Brussels, it is difficult to see how a political re-structuring of the Community can be resisted without its fabric coming apart at the seams.

Already the "sick man" of the Community—Italy—has become an ambulance case. Recently the Community had to agree to launch a joint Community loan of up to £3 billion which would help Italy—and Britain if it were interested—with balance of payments deficits. In addition Bonn has granted Italy a special loan of DM 2 billion on a bilateral basis in a bid to bail it out of its current foreign exchange crisis. It has been generally assumed that all this concern is prompted by a fear that if Italy is allowed to go under because of its current economic strains and sorrows, the country would turn to its communist party for rescue if not redemption. There is however an almost equal danger of civil strife as neo-fascist, right-wing movements make their own bid for power. In other words, it is not only the left-wing forces which will be waiting on the wings in Rome.

The communist presence or threat is more easily seen or felt because the communist party is openly a part of the constitutional milieu. In fact, quite a few observers have been forced to conclude that communist participation in a broad-spectrum political alliance may be the only means of maintaining at least for the time being a political order with any degree of constitutional legitimacy in the Italy of today. However, while the communists are visible and powerful, the anti-democratic forces of the right are no less real or threatening. One index of their growth and deadly purpose is provided by the statistics of kidnapping for ransom. It has been estimated that gangsters have wrung out more than £ 17 million from the victims or their families in the last two years, with a good part of this ill-gotten money going into the financing of right-wing subversive movements. Indeed, so frequent and spectacular have been these kidnappings that Italian families of conspicuous affluence are beginning to feel that they are in a state of siege.

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It is not to the rich alone that insecurity is becoming a frequent accident of regular living. Inflation, with its attendant evils of higher and yet higher prices and shortages of and speculation in essential commodities, is crossing the threshold of tolerance in a community which is simultaneously being harassed by closures and short-time in major industrial plants and industrial centres. This economic mess, naturally, provides fertile breeding ground for labour unrest, but it also generates a more general psychology of confrontation between the public on the one hand and the forces of law and order on the other. Subversive political forces and anti-social elements, generally, have not been slow to take advantage of this climate. One result is that the Carabinieri is very much in evidence on the streets almost through all hours of the day or night. Indeed, on the Sunday I was in Florence there were as many armed policemen on the look-out for trouble on the picturesque Piaza della Signoria as were tourists getting their fill of the tritons and naiads ornamenting the fountain of Neptune.

Visitors and citizens alike should perhaps be grateful for this ubiquitous presence of the guardians of law. On the plane from Geneva to Rome I came across a report in the *Herald Tribune* from its Rome correspondent narrating the adventure, or rather misadventure, his wife and he had on a recent evening on the streets of the Italian capital which he described as "the city of a thousand thieves." The story was that as they were walking along a cobbled side-street, an yellow Fiat pulled up and a couple of young ruffians jumped out, snatched his wife's handbag and drove away.

inadmissible lapses

The report concluded with the wry admission that the woman was to blame for she had been guilty of two lapses which were inadmissible on Rome's streets these days. The first was that she was walking on the outside and the second was that, instead of keeping the handbag between the two of them, she was carrying it in her right hand. On landing at the Leonardo da Vinci airport I was unwise enough to buy myself a copy of the day's issue of *Daily American*. On its front page was a news item saying that a spokesman for the hotel trade in Rome had said that he was scared of the tourist traffic drying up if the city's rate of crime, petty or otherwise, did not decline or was not brought down. Hardly reassuring reading matter all this on one's arrival at a place where one was having to spend the better part of a week or longer.

In the event, I am happy to say that my acquaintance with Italian crime at any level remained hearsay; I did not even lose a pair of *chappals* in my Rome hotel. There were however countless minor irritations. For instance, at the end of any taxi ride, one found oneself being bullied or cajoled into paying much more than what the tariff indicated. Then there was the bank—one of the smaller ones—where I went to cash some travellers' cheques. On receiving far fewer liras than I thought I was entitled to, I asked for details. The teller looked at me, looked also at the travellers' cheques I had just given him, and then started paying out more liras, explaining, as he did so, that he had been under the impression that I had given him dollars and not pound sterling. It was not easy for me to believe this for, only moments earlier, I had seen him scrutinizing every detail of my travellers' cheques. In any case the mistake he claimed he had made was not the kind which a bank official would normally make. I readily concede of course that foreign visitors to any of our own cities may have much more to complain of along these lines but, Italy, after all, is in western Europe and, moreover, I had seen Italy in its better days.

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Quite clearly, political instability and drift, when joined to economic decline or chaos, work havoc with the mores of any society. Unfortunately, Italy has its fill of these corrosive influences. Until some time ago it was possible to treat as a joke the alleged ability of the Italian people to get along without a government. If a joke it still is, it must be a very sick joke indeed. The country's main political party, the Christian Democrats, who have been providing it off and on with such government as it has had, are grossly faction-ridden. It would have been bad enough had this factionalism only to do with power or personalities. What has made it worse than what even factionalism has a right to be is that the party is so divided and deranged that it cannot function in terms of any effective economic or social policy. Confronted by the Scylla of the Communist party, (one of the two most powerful in western Europe) and the Charybdis of right extremist revivalism, the Christian Democrats have just not been able to consolidate themselves into a firm enough central position from which they could effectively guide the nation's political or socio-economic course.

step-motherly treatment

On the domestic front this failure has meant that Italy could not turn into a permanent gain its economic boom of the sixties which has turned out to be a miracle in more than one sense. In the external context, Italy's internal political weaknesses have considerably crippled its ability to take full advantage of its membership of the Community. It is not only in a geographical sense that the implementation of the Treaty of Rome has shifted to Brussels. Mr George Thomson, one of the EEC commissioners, recently pointed out that between 1954 and 1972, subsidies to Italy per head from the EEC and the European Coal and Steel Community came to a meagre 53 units of account against Holland's 93 and France's 160. As regards Community aid to farmers, although two-fifths of the EEC's farmers were Italian, they got less than a quarter of the price support money from the Farm Fund. When Italy borrowed from the European Investment Bank or from the Coal and Steel Community, it had to pay interest on nearly four-fifths of its loans at market rates whereas Holland got two-thirds of its money as soft loans or grants.

I have just referred to Italy's economic boom now becoming a historic memory. Although nobody seemed t see it that way when it lasted, it is no clear that its economic miracle was essentially an accident of personalities. Thank to a handful of great entrepreneurs wh happened to preside over the destinie of great corporations in the pubiic an the private sectors, Italy was able to g through a period of forced econom growth during which it could build u growth industries of multinational dimensions. Oil refining, automobiles, chem cals, synthethic textiles and the electrica industries were among the dynamic elements of this process. If Italy still ha considerable basic economic potential o resources for recovery or even resurgence it is entirely because much of this gai still endures although some of it is bein dissipated.

* *

What, really, has gone wrong? A what point? And why? There is no simple or single answer to any of these questions but the Italian experience clearl shows that, just as a country cannot remain half-free and half-slave, it canno also remain half-prosperous and half-poor Italy's economic miracle has in fact been the economic miracle of northern Ital alone. The south, the boot of the peninsula has, so to speak, been receiving only th boot, with many of its poor and the jobless—and there is nothing much else there —being literally booted out of the country into the labour-hungry and growth greedy economies of Switzerland, and farther north-west. It is true that there has been also a movement of manpowe within the country itself, again from the south but, this time, into the industria centres of northern Italy, such as Milan Even this internal shift of human resources has only helped to emphasize further the division of Italy itself into a prosperous north and a penurious south.

There are two saddening aspects to this redistribution of Italian manpower whether nationally or internationally. The Napolitans and others from the south, who flooded the industrial centres of northern Italy for a livelihood, could manage to find very little more and have remained an underprivileged proletariat, economically vulnerable and socially inferior amidst native opulence Milan-style. For them their country's *la dolce vita* has always been a fable filmed on celluloid. Even those who have left the country itself in order to seek their fortunes abroad have largely been left rootless and with a future which is uncertain if not insecure. They have no doubt been enjoying higher standards of living on better wages in more secure employment in Switzerland, West Germany, Belgium and

Holland than they could have dreamt of n Italy, south or north. But, euphemis-cally described as "guest workers" in heir countries of 'non-adoption', they ave become increasingly vulnerable to dverse popular emotions as in Switzer-and or the faintest intimations of reces-ion in other West European economies o the north.

The second and even more unfortunate eature of the exodus of the Italians from he south has been the damage that has been caused in the process to the economy of the region. It is true that the mig-ants, whether they had left their homes emporarily or on a more permanent basis, have helped their own families and, in the case of migrants who have gone abroad, also their country's balance of payments, by sending money to the kith and kin hey might have left behind. The present economic condition of southern Italy, however, is eloquent proof that a remittance economy may remain merely that. It seems that, over any but the shortest of short periods, the sending away of people, even if they are unskilled or semi-skilled workers, cannot but be harmful to the economic future of the local communities.

Had southern Italy been able to afford (or had provided) the investment and training needed to engage its people in building its own regional growth, the whole of Italy would have been in a much better political, economic and social shape than it is today. In any case many observers feel that the steady deterioration of Italy's agriculture, which is converting that country into a food-deficit economy, is not a little due to the neglect of the regional development of physical and human resources. In any case, today, when the 120 regions of the EEC are ranked for *per capita* income, jobs in industry, emigration and farm employment, it is Italy's south or *mezzogiorno* that stands at the bottom, even below Ireland.

* *

Seen in this context, Italy's current inflation is less a matter of monetary or fiscal mismanagement than of basic economic derangement. This inflation itself is of an order corresponding to the extent of this derangement. Around the middle of this year consumer prices in Italy showed an increase of 19 per cent over the preceding twelve months as against Britain's 17 per cent and West Germany's seven. Since then the pace of Italian inflation has been accelerating both absolutely and relatively to other EEC economies. In September, for instance, the cost of living went up by over three per cent, worse perhaps then even the Indian rate of inflation. No wonder strikes have become normal.

However, with the unemployed numbering as near one million as makes no difference and even Fiat having to go on a short-working week, labour unions are in no position to enter into an actual trial of strength with employers. They have therefore adopted a novel way of 'striking' which, while causing maximum harassment to managements, would still avoid loss of wages or jobs. The *modus operandi* is to go on short-duration strikes frequently but not for more than a few hours at a time.

wild-cat strikes

Mr Jagjivan Ram, who was in Rome as the leader of the Indian delegation for the World Food Conference, narrated to me in his room at the Grand Hotel his experience of one such strike. He had planned to give a working dinner to the leader of the Bangladesh delegation the previous evening and he spoke to the hotel management about it earlier in the day. He was told that the hotel could make no firm commitment since the staff would be on strike during various periods in the course of the day, but the position could be reviewed around 6 p.m. At about that fateful hour Mr Jagjivan Ram began to wonder whether it would not be prudent to request the wives in the Indian Mission to prepare a few things to eat which could be brought to the hotel and served to his guests. However, he was saved the trouble as a triumphant hotel management came to him just in time to inform him that the staff had resumed work and the hotel would after all be able to provide the dinner. Mr K.B. Lall, our ambassador in Brussels, who had flown into Rome on the same day for consultations with the Indian delegation, was less fortunate. Arriving at lunch time he was told that a strike was on and that he would have to wait for his lunch till 3.30 p.m.

Given a national situation in which, according to some Italian observers, every one seems to be running away from responsibility, it would of course be pointless to pillory any particular economic or social class or group, but the fact remains that some one will have to accept responsibility sooner rather than later. Whichever administration may be in position in Rome at the time will have to render an account of the Italian economy at Brussels next month when the EEC is due to discuss the question of converting its emergency credits to that country into a medium-term loan.

It has been indicated that there will be some talking-to particularly with reference to disciplining Italy's non-oil trade deficit as well as its public finance. As for the first prescription, Italy has already imposed severe restrictions on imports and it remains to be seen how much farther it can go in this direction without combating domestic inflation or disrupting its commercial relations with or obligations to the rest of the Community, and, as for the second, it is not going to be easy either to raise taxes in a country where people are protesting against increases in tram fares and electricity charges by insisting on paying at the old rates or to reduce public expenditure when in many places in the country the construction of school buildings is being stopped halfway through for lack of municipal funds or water supply is being contaminated by seeping drainage because civic bodies are not able to find enough money for the upkeep of public sanitation. But then, Brussels or no Brussels, Italy has no alternative to national discipline.

As it is, little of that discipline is presently to be seen. For instance, despite Italy's burdensome oil deficit, Rome's streets are crowded with automobile traffic at all hours and, on a Saturday morning, much as I would have liked to stroll some distance down the ancient Appian Way, I had to give up the attempt very early because of the rush of cars, big and small, along that narrow road on errands of week-end pleasure.

* *

Although, taking inflation rates as the basis, Mr Willy Brandt has proposed that Britain should be grouped with Italy and Ireland as the weaker members of the Community, a visitor to the United Kingdom cannot but be struck by the very real difference that there is between that country and Italy, whether as regards current living conditions or the capital base of the economy. For one thing, although more families may be eating meat less often in the week, it does not seem as if essential commodities over any wide range are getting out of the reach of the people. Real shortages are confined to sugar among commodities, and housing, particularly for young married couples.

As for the cost of living, accommodation is becoming more and more expensive, thanks to high interest rates on mortgages, expenditure on fuel is going up and prime cuts of beef have become a luxury. Nevertheless, mass spending on liquor, tobacco, travel within the country or even abroad, and entertainment generally is running at high levels. It is possible however that expendiiure on consumer durables is not being kept up and it is of course true that household savings are declining. Nevertheless, if one were determined to look for signs of Britain's economic distress, one must search for them behind and beyond the current living conditions of the British people which themselves may certainly be described as affluent on any reckoning.

In Britain, as elsewhere, there are as many views about the why and the wherefore of the economy as there are economists, whether professional or amateur. But there is general agreement at least on the point that Britain has been living with an accelerating rate of inflation which it will not be able to live with much longer. The continuance of this inflation will certainly end up in smashing the living standards of the people but, as I had suggested a little earlier, this particular effect of inflation is yet to be seen.

havoc of inflation

What has been witnessed for quite some time, however, is the havoc which inflation is causing to the capital base of the British economy. For years Britain has not been saving or investing enough in the rationalization, modernization and expansion of its industry and this lapse has been most conspicuous exactly where it could do and has done the greatest harm to Britain's export capacity or growth. The entry of foreign, particularly American, multinationals into British economy has been some compensation but the overall deficit in performance in this area of the British economy has still been serious.

At about this time last year when I had called at the headquarters of the Socialist Democratic Party at Bonn, I was told that perhaps the most important reason for Britain not investing enough in its industry was that the British banking system, by tradition, was unequal to the job. The argument was that the British banking system was concerned not so much with the financing of the creation of more and more physical assets in industry but with the making of what was described as book-keeping profits. I suggested that this picture was perhaps not quite fair since at least the very considerable earnings on account of the invisibles in Britain's balance of payments had to be ascribed to the manner in which British banking was helping London to function as a great international financial centre. While the German view of British banking may perhaps be hypercritical, it seems to be largely true that, in the period during which inflation in the British economy has been gathering force and volume, a good deal of the resources of British banking has been finding its way into real estate or other property speculation and takeover bids.

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It is possible, therefore, that there is a case for British banking to answer. I feel, all the same, that there is even a stronger case for the role of British taxation, particularly corporate taxation, to be scrutinized in this connection. Over the last 25 years or so Britain has been governed by the Conservatives for some time and Labour for the rest of the period. Whatever has been the political complexion of the government in power, British taxation has been steadily becoming more and more inhibitive of the real growth of Britains's industrial capital. Inflation has aided the process, but the primary responsibility has been that of fiscal policy. An economy which can grow only through a continuous improvment in the competitiveness of its export sector has been consistently denied the means of preserving and promoting this competitiveness. During a period when mass purchasing power has been rising steadily and the demand for imports has consequently been going up and up, the British economy has been criminally slow to discard obsolete or non-competitive industries and invest more at the growth points of the export sector.

Instead of employing creative imagination and energy in attempting the supremely important task of rationalizing and strengthening the industrial capital base and the industrial structure of that country, successive governments, whether Conservative or Labour, had been spending their time on ding-dong battles of nationalization, denationalization and renationalization of this industry or that, while the basic fiscal policy was relentlessly eating into the physical capital of the British industry.

In these circumstances neither the decline and fall of the pound sterling in the world's money markets, nor the recurring crisis in the British balance of payments were the unavoidable consequences of international economic forces or Britain's own real economic limitations. Britain's labour troubles, which are currently doing so much to aggravate its economic problems and difficulties, are best seen in this perspective. The welfare state, to the essence of which all the three major political parties in Britain are committed, has released and energized a revolution of rising exp
tations. Given the active democracy
Britain and the political pull and mus
of its trade unions, these expectatio
have had to be implemented in one
stalment after another large instalme
The indefinite continuance of this proc
is clearly conditioned by the abil
of the British economy to maintain
corresponding rate of growth. As t
condition has not been fulfilled, larg
because of the steady erosion of the p
sical capital of British industry, especia
in the export sector, the demand of t
British working class that the size of t
cake should keep growing, even as
share of the cake is also growing, is b
coming more difficult to meet. The si
of the cake has been growing but ve
slightly, and this means that the b
made by the working class to improve
living conditions and economic circu
stances further is necessarily becomi
more and more egalitarian in a politic
sense, thereby assuming the overtones
a class struggle.

The problem before the Briti
economy is not whether it shou
have more socialism or less socialis
in order to be able to survive a
revive, but whether the government whi
happens to be in power at the time is ab
to frame and, with broad national su
port, implement an economic policy whi
could wipe out within the next five yea
the arrears of capital investment
industry accumulated over, say, the la
fifteen years.

* *

Britain has acquired unenviable not
riety for its industrial strife. It
perhaps less widely known that its farme
too are a restive community. When
was there last month, it was in fact
farmers' agitation which was capturi
the headlines. Irate Welsh farmers. wh
had been helplessly watching livesto
prices becoming uneconomic even
cattle feed was becoming more and mo
costlier and a fodder famine was develo
ing, took to picketing the ports to blo
deliveries of Irish cattle. In the proce
there was clash with the police and the
were charges and counter-charges of ph
sical violence.

The British beef industry indeed
in a very curious situation. Whi
farmers are sending cattle prematurel
to slaughter and have even been butche
ing calves in hundreds and burying the
carcasses because it has become ruino
to rear them, retail prices of beef co
tinue to remain high. Several expla
nations, some simple and others rath
sophisticated, have been offered for th
market puzzle, but the plain fact seem

to be that the British beef industry could do with some nationalization. As it is, the butchers and the middlemen seem to be profiting if not profiteering at the expense of both farmers and consumers.

It cannot be that farmers are unaware of this market situation but they apparently feel that it may be easier to get immediate relief by exerting direct political pressure on the government. The picketing of imports of cattle from Ireland is part of these tactics. Since both Ireland and the United Kingdom are members of the Community, the British government, however, cannot ban the import of the Irish cattle even if it wants to. Besides, there is also an Anglo-Irish free trade agreement to be taken into account. Moreover, if the Irish find that their shipments of cattle are being interfered with, they could and probably would retaliate by agitating against the import of British goods into Ireland. It could therefore be assumed that the picketing of Irish cattle deliveries by Welsh farmers was essentially in the nature of a publicity stunt calculated to compel the British government to take notice of their genuine grievances.

This strategy has largely been successful. Nothing could be done immediately of course to bring down the prices of feed grains or fodder although the fodder famine itself is being relieved to some extent by the import of hay from Canada. The British gevernment therefore has been forced against its wishes to provide its beef farmers with a floor price for their cattle during the period up to the end of January. This scheme will cost the exchequer £20 millions in the twelve weeks of its duration. The Agriculture minister, Mr Peart, had to obtain clearance from Brussels for this measure. As part of this deal the British government has also had to accept against its better judgment the limited introduction of intervention buying of beef, as a result of which some home-grown beef may be finding its way into intervention cold storage or canning plants during the next two month in spite of the fact that consumers are clamouring against high retail prices.

* *

This flexibility shown by the Community in dealing with Britain's beef problem is not a casuel attitude. With the talk of re-negotiation of Britain's entry into the Common Market so much in the air, Brussels evidently realizes that it is better to bend rather than break. Not that it feels that it is negotiating from a position of weakness; on the contrary, even while agreeing to the British beef price-support proposal, it has had the satisfaction of seeing that the British government has swallowed the concept of market intervention buying in spite of London's declared objective of bringing about the ending in the Community of precisely this system, which is an integral part of the Common Agricultural Policy. Nevertheless, whether the Brandt thesis of a two-tier membership is finally accepted or not, Brussels has been realistic enough to recognize that Britain cannot be hustled into what has been described as the equal sharing of Community commitments and obligations.

barter with Brussels

Thus, in addition to his deal on beef Mr Peart has been able to strike a bargain in Brussels on Britain's import of Commonwealth sugar. The Community has agreed to allow access to 1.4 million tonnes of sugar from the developing countries in the Commonwealth "for an indefinite period" of between five and seven years. Guaranteed prices for this supply are to be negotiated within the prices applicable within the Community. This provision regarding prices has caused some dissatisfaction in Britain because it is taken to mean that the Community is not prepared to guarantee a price higher than that paid to European beet-producers. With world market prices ruling around £ 650 per tonne of sugar, it is considered unlikely that Britain will be able to procure its requirements of Commonwealth cane-sugar at or around £ 140 per tonne which is the price fixed for beet-sugar producers within the Community. All the same, Brussels' acceptance of the principle of access to Commonwealth sugar for an indefinite period does mark a concession to British opposition to the Common Agricultural Policy as well as to the British government's insistance on re-negotiating its terms of entry.

When therefore Britain sits down with the other eight for an EEC summit conference in Brussels next week, it can do so with the faith and in the hope that on such issues as Britain's contribution to the Community budget or the special fund for regional development, the stronger members of the Community may well be disposed to be open to argument. After all, as Mr Brandt has pointed out, the decision to offer Britain subsidies on sugar imports and the agreement to launch a joint Community loan of up to £ 300 millions which would help Italy—and Britain if it were interested—with balance of payments deficits and the proposed EEC regional development fund are all steps towards recognizing the differences in the economies of member-countries arising out of the considerable variations in the rates of inflation.

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For an Indian it is pleasing to note that despite Britain's domestic economic priorities, there are in the British government and indeed in the British political structure, cutting across party lines, powerful elements favouring liberal attitudes towards development aid. As is well known, the minister for Overseas Development, Mrs Judith Hart, played an effective role in persuading the Community to offer one million tonnes of wheat to India, partly on a grant basis. Again, both Britain and the Netherlands have been regularly raising their voices at Brussels in favour of the Community doing more rather than less for the developing countries.

In view of this it became rather noticeable when Mrs Hart and her country's delegation, which she headed, seemed content to remain on the wings at the Rome Food Conference. There was not only no British initiative either in terms of emergency food aid or in terms of a long-period world food security scheme; but the impression was created that the U K government had the feeling that Britain had done enough, at least for the time being. Incidentally, during the few days she was in Rome, Mrs Hart, however proved very accessible to the press corps and was frequently to be seen breaking bread or having a cup of tea with British journalists. Whatever reservations her prime minister may have about the British press or its motives towards him or his party, Mrs Hart herself seemed to be perfectly at ease with her country's fourth estate. Her press relations, in fact, were in refreshing contrast to the formal briefings conducted by the US delegation.

As for our own delegation's activity, or rather absence of activity, in this area, the less said the better. The brief which Mr Jagjivan Ram carried certainly deserved a better deal than what our embassy was able to get for him from the multinational press corps reporting on the Rome conference. Our Mission in Italy's capital seems merely to exist. Of the couple of chairs in the grimy visitors' room of the embassy, one has long forgotten what it is to have a bottom. As for the ambassador, Mr Apa Pant, the allegedly deputy leader of the Indian delegation, the conference saw even less of him than signs of the world food security which Rome was supposed to usher in. Even the Food secretary, Mr Juneja, remained a remote happening.

(To be concluded)

Working towards international standards

Jossleyn Hennessy

London

I

The Role of International Organisations

FOR MANY years governments have imposed national standards for health, safety and other social reasons. Industries and crafts have also cooperated to adopt standard measurements and components to facilitate production and repairs.

However, a real effort to achieve international standards is a relatively new development. So long as industries were were concerned almost entirely with their domestic market, it mattered little to them if another country imposed different standards on their products. It became important only when potential exports could account for a large proportion of production; different national standards began to impede the growth of trade. Thus it is only in the past few years, following the vast increase of world trade in the sixties, that the majority of international standards have come into existence. The process received additional impetus from successive tariff reductions resulting from GATT negotiations, from demolition of tariff and quota barriers within such important regional groupings as the European Communities and the European Free Trade Area as well as from the growth of multinational corporations and the emergence of the consumer movement.

need for standards

To realise the need for international standards is, however, one thing; it is another to achieve them. Agreement can be obtained fairly easily regarding new high-technology products manufactured by a small number of companies in industrialised countries. Few people are involved and no large investment exists in machinery or stocks of components previously accumulated according to national regulations. When it comes to nuts and bolts, however, national resistance can become more stubborn and international agreement more difficult to achieve. Changing to metric threads, for example, from those measured in fractions of an inch involves re-tooling whole industries, with "transition period" of up to twenty years.

Then there are the problems arising from mental attitudes. Administrators of national standards naturally tend to believe that their own practices are the best and their own standards the highest. They look with suspicion on foreign production and do not lightly give away the protection provided by a separate national regulations—and local industries are prone to the same point of view. In fact, their regulations, perhaps conceived to protect the public from dangerous or shoddy products, become non-tariff barriers to trade. This type of barrier becomes most severe where it is concerned with the enforcement of standards of manufacture. To satisfy standards of this type, inspectors from importing countries must have almost unlimited rights to visit and inspect manufacturing plants in the exporting countries. Clearly such rights are given lightly and are expensive for the industry concerned; trade in those products may in practice be made impossible.

international cooperation

Consequently, political decisions must be sought and international obligations must be met. The traders of one country may complain to their government that another country, in which they wish to sell their goods, enforces different standards which are impeding their sales. At that point a broader international negotiation comes into the picture. Clearly, bilateral settlement between two countries would not go far; it is better if as many other countries as possible agree to adopt the same standards, so that trade can be freed from such restrictions over wide areas. For these reasons the creation of international standards requires not only technical negotiations. but also trade and economic negotiations, which means bringing in the international organisations concerned with those matters. The problem obviously arises in an acute form for customs unions or free trade areas, within which in principle all barriers to trade between the participating countries must be abolished. Hence the lively interest in the subject in the European Communities and in the European Free Trade Association.

The latest issue of the *EFTA Bulletin* (1211, Geneva 20, Switzerland) reports the international effort towards common standards that is being made in all the main organisations involved.

specialised agencies

Note that, in addition to the organisations mentioned below, there are others covering some aspects of standardisation, either governmental (e.g. International Atomic Energy Agency, International Telecommunications Union) or industrial non-governmental (e.g. International Association of Aerospace Equipment Manufacturers, Organisme de Liaison des Industries Metalliques Europeennes).

The International Organisation for Standardisation (ISO) is the specialised agency for standardisation; its membership in 1973 included the national standards bodies of 72 countries. The work of evolving international standards is entrusted to techincial committees, sub-committees and working groups—about 1,350 of them in 1973, involving the participation of more than 100,000 experts —and the secretaries of the committees are distributed among the member bodies of ISO. Coordination of their activities is carried out centrally by ISO, which employs people from 19 countries in its head office in Geneva.

Established in 1946, ISO has concentrated on the harmonisation of the hundreds of thousands of existing national standards and its activities have rapidly accelerated in the past decade. In fact, of the 2,300 ISO standards in existence in 1973, 60 per cent had been published in the previous four years. A further 3,000 drafts and proposals are now in the pipeline and the total of accepted standards is expected to double by 1977. It should be noted also that ISO standards were only "recommendations" up to the end of 1971. They now have a more definite status.

The ISO procedure for arriving at an international standard is thorough; it egins with the circulation of a draft roposal for consideration by a technical ommittee. When agreement has been eached in the committee, the resulting raft international standard is circulated all member bodies for voting. If 75 er cent of the votes are favourable, the raft goes to the ISO Council for final cceptance as an international standard. o take care of evolving technology and naterials, all ISO standards are reviewed t least every five years.

ISO deals only with non-electric products (See below) and most of its standrds are in the fields of chemicals (750 tandards), mechnical engineering (660), on-metalic materials (630), agriculture 430) and metals (370). Transportation, nformation and building are also imporant sectors.

irst venture

The International Electrotechnical Commission (IEC) was the first international organisation in the standards ield and deals with all electrical products— technology which, with electronics, has evolved with an astonishing rapidity hroughout this century. Founded in 1906, the commission now has 41 member national committees: the headquarters, with a small secretariat, is in Geneva, in the same building as ISO.

The work of IEC is carried on in about 600 technical committees, subcommittees and working groups, using the expertise of tens of thousands of qualified professionals. Their work includes five main categories:

(1) Common means of expressions: vocabulary, graphical symbols for electric circuit diagrams, units and their associated letter symbols, electromagnetic theory.

(2) Standard methods of test of declaring performance: these enable the ready comparison of claims made regarding quality or performance, and lay down minimum requirements.

(3) Agreement regarding levels of quality and performance arrived at as the result of such standard test methods.

(4) Agreement on features affecting mechnical or electrical interchangeability or aimed at reducing the variety of models in order to obtain greater production runs.

(5) Safety of human life.

A given standardisation project may be limited to one of these aspects or may be a combination of several. It is not uncommon for the first edition of a recommendation to confine itself to one aspect, additional aspects being dealt with in later editions.

The electrical sector plays an important part in international trade, amounting to more than $20,000 million in 1973. The IEC is currently deciding on new standards at the rate of about two hundred a year.

The European Committee for Standardisation (CEN) and the European Committee for Electorotechnical Standardisation (CENELEC) — the first general in scope and the second operating in the electrical sector—are made up of the standards authorities of the countries of the EEC and of EFTA (except Luxembourg and Iceland) plus Spain. A main aim of CEN and CENELEC is to promote the implementation of ISO and IEC standards throughout western Europe. There is also an agreement whereby they will provide "European Standards" for reference in EEC directives.

The aim of the International Commission on Rules for Approval of Electrical Equipment (CEE-Arnhem) is to define safety conditions for electrical equipment in common use, in order to protect the public. The CEE also seeks to harmonise, so far as is possible, national safety regulations.

certification body

The CEE brings together the competent authorities of twenty two countries (i.e. those represented in CENELEC plus some eastern European countries). The organisation publishes specifications which express, as nearly as possible, the consensus of opinion of its members. To facilitate the approval of equipment, a "Certification Body" (CB) scheme operates through approved testing stations in member countries. Under this scheme a special certificate of compliance with the CEE regulations for electrical equipment, issued by the testing station of one other country, is then accepted by all member countries. In order to give users a simple means of recognising equipment which complies whith the CEE specifications, a mark of conformity called the "E" mark has recently been adopted. It was brought into use at the end of 1973.

From the GATT (General Agreement on Traiffs and Trade) point of view, standards which present problems for traders are non-tariff barriers to trade. Consequently, GATT work in this field is based on specific notifications received from contracting parties (i.e. the participating countries) on problems they face. Of about 800 notifications of non-tariff barriers, GATT has put together a list of about 150 concerned with standards and of these the Committee on Trade in Industrial Products has selected about twenty as being representative of the problem involved.

In the view of the committee, problems connected with standards can be grouped into four categories;

(1) The existence of divergencies in national standards.

(2) Measures for enforcement of standards.

(3) Quality assurance systems based on limited country participation.

(4) Ignorance on the part of exporters of technical regulations in the importing countries.

code of conduct

As a solution to the various problems which may arise, Working Group 3 of the committee has elaborated a draft "Code of Conduct on Preventing Technical Barriers to Trade". Significant differences of view on the draft remain to be negotiated, presumably in the framework of the forthcoming new round of multilateral comprehensive trade negotiations. The main objectives, however, are:

1. The Code would require adherents to use relevant international standards as a basis for their own, and to participate in all standards bodies preparing international standards. Governments working to produce new standards would make drafts available to other interested countries and allow reasonable time for comments. (Note: an arrangement of this type has already been in operation inside EFTA since 1964.) See standards work in EFTA in part II.)

2. The GATT code also proposes arrangements whereby importers would accept tests and inspections carried out in the exporting country. (This idea has also been translated into action by the EFTA countries over the past three years). Where such arrangements do not exist, imported goods should be tested in equally favourable conditions as domestically produced goods. Quality assurance systems should also be made the subject of international arrangements. Ignorance on the part of exporting countries could be avoided by the establishment of "enquiry points" equipped to answer all reasonable enquiries relating

to measures taken in the field of standards.

II

The preparation of inter-governmental agreements on standards has always been one of the main activities of the Economic Commission for Europe (ECE) which includes countries of eastern and western Europe in its membership. This has included the definition of standards on particular products and general cooperation on standardisation policies.

The "Geneva Protocol on Standardisation of Fruit and Vegetables" was drawn up in 1958; under this protocol, grading and quality standards covering nearly fifty products have been elaborated. These standards have been accepted in international trade by most ECE countries and some contries also apply them in domestic trade. In recent years attention has also been paid to standards on dry and dried fruit, fruit pulp, fruit juices and quick-frozen foods. Work on new standards is under way for eggs in shell and egg products, non-edible horticultural products, etc. The activity in that sector is carried out in close cooperation with the Codex Alimentarius Commission set up by the World Health Organisation (Geneva) and the Food and Agricultural Organisation (Rome).

uniform conditions

Under the auspices of the ECE, an agreement was concluded in 1958 on the "Adoption of Uniform Condition of Approval and Reciprocal Recognition of Approval for Motor Vehicle Equipment and Parts". About thirty regulations have been elaborated in the framework of this agreeement and work is still in progress. The standards are generally based on road safety criteria and some of them aim specifically at protecting the environment from the emission of engine pollutants and from excessive noise.

Problems of standardisation for other products have also received attention. Work is at present being carried out in the following fields :

(a) Housing, building and planning.

(b) Timber : units of measurements, product definition, package sizes and grading rules.

(c) Safety codes for gas pipelines and gas transmission stations.

(d) Simplification of trade procedures.

(e) Standards for computer hardware and software.

(f) Electrical equipment and transmission systems.

(s) Standardised methods for studies of water management problems.

Since 1970, government officials responsible for standardisation policies have met every two years under the auspices of the ECE. This body has up to now made seven recommendations to ECE governments to promote the progress of international standardisation. In addition, a list of sectors and products requiring priority action on international standardisation has been established, with a special list comprising items of particular urgency.

The Organisation for Economic Cooperation and Development (OECD)—which brings in Australia, Canada, Japan New Zealand and the United States as well as western Europe—aims not only at promoting the expansion and liberalisation of trade, but often has also as its main aims the search for solutions for a more orderly international market and for the acceptance of measures needed to adjust national economies to modern realities. In this regard, a part of the OECD activities has been devoted to standardisation and harmonisation, in particular with a view to avoiding distortion and discrimination in international competition. In several cases, OECD has chosen to confine itself to the adoption of a "resolution" or a "recommendation" and has left effective cooperation to individual member countries, so that there has been no necessity for any follow-up action. In other cases, such as export credits for ships or standards for agricultural products, OECD has established a number of arrangements, codes and schemes which are regularly reviewed.

regular examination

A recommendation adopted in 1962 required member states to examine regularly their administrative and technical trade regulations and remove, as far as possible, trade barriers contained in these regulations. In 1970, the Secretary-General of the OECD stated that the Trade Committee should re-examine the recommendation to see whether it could be adapted "to cover issues arising now or in the foreseeable future".

On pharmaceutical products a 1961 recommendation proposed harmonisation and simplification of registration procedures, while another recommendation in 1963 proposed harmonisation of the labelling of pharmaceutical specialities. Both these recommendations contained criteria for adoption of harmonised systems.

In the machinery sector, a recommendation adopted in 1960 suggested bilate
acceptnace of tests on welded gas cyl
ders. In 1965, two recommendations w
adopted on the development of techni
regulations for oil storage and distributi
equipment, suggesting that mem
countries should sponsor greater int
national action on common standar
On tower cranes for building work
OECD has developed model safety reg
lations and a 1967 recommendation p
posed that member countries adopt th
regulations in their national legislatio
The OECD has introduced standard cod
for the testing tractor performance a
tractor cabs and frames, which are n
applied by all member countries (exce
Canada, the United States) a
Yugoslavia.

elimination of barriers

The action of the European Econom
Community (EEC) on standards, et
was laid down in the "General Programm
for the Elimination of Technical Barrie
to Trade" of May 28, 1969. Referring
Article 100 of the Treaty of Rome, t
EEC set up a programme for the progre
sive elimination of technical barriers
trade on a large number of product
This programme was divided into t
following five parts :

(a) Council Resolution establishi
a programme for the elimination of tec
nical barriers to trade on a number
industrial products resulting from di
parity between the laws, regulations
administrative provisions in memb
states. This programme was to be impl
mented by directives of the Coun
harmonising national regulations and
timetable was established in three phase
ending January 1, 1971.

(b) Council Resolution establishi
a programme, also to be achieved
Council directives, for the eliminatio
of technical barriers to trade on foo
products.

(c) Council Resolution concernin
the adaptation, in the light of technic
progress, of directives aimed at elimin
ting technical barriers to trade.

(d) Council Resolution concerni
the reciprocal recognition of controls.

(e) Agreement on the maintenan
of the status quo and on the provisi
of information to the commission.

Although the various parts of th
programme have been in action sin
1969, it was not possible to secure
the Council directives needed to meet t
original timetable. Also, in recent yea

the expansion of intra-Community trade, ndustrial development in certain sectors and the increasing importance of problems connected with the environment and the protection of human health have revealed the existance of significant technical barriers in a number of sectors other than those indicated in the resolution of 1969. The earlier programme was therefore supplemented by a Council Resolution of May, 1973, adding new sectors.

Then, in November, 1973, the European Commission put forward a detailed proposal, with precise timetables, which would enable the Council to adopt before the end of 1977 all proposals for directives bearing on the important technical barriers so far identified. This proposal, which formed part of a much larger programme for the implementation of the industrial policy of the Community, was adopted by the Council of Ministers in December, 1973.

the new timetable

The new timetable is divided into five phases, two in the year 1974 and one in each of the three following years. In the first half of 1974 directives were issued covering twenty foodstuffs and beverages; some vehicles and electrical standards; some measuring instruments; and a number of other items. Vehicle standards are the main element in the second phase of the programme, along with pressure vessels and measuring instruments. In 1975, vehicles again play a major part, along with "dangerous preparations", textiles and toys. The lists for 1977 and 1978 each contain a wide variety of products.

The harmonisation of standards, as such, is not part of the activities of the European Free Trade Association (EFTA) because all seven countries in the free trade area pursue this effort through their membership of other international bodies tackling the problem. However, EFTA is active (a) in seeking by means of its advance notification procedure on new standards, to minimise the creation of new technical barriers to trade within the Association, and (b) by means of "schemes for the mutual recognition of tests and inspections" in seeking to eliminate trade barriers arising from the tests and inspections required to verify that imported goods conform to the standards imposed by the importing country.

The cooperation of the EFTA countries in the field of technical barriers to trade began in 1964. Recognising the increasing importance of industrial standardisation within EFTA as tariffs were progressively eliminated, agreement was reached whereby EFTA countries preparing new or revised compulsory standards were invited to notify one another and the EFTA secretariat in advance of the content of projected regulations. Notifications were to state the reference number of the international standard, if any, covering the same subject and whether the new standard would be identical. Any deviations or more severe requirements were to be explained and justified. Where no international standard existed, explanation was to be given for the necessity of the new standard, along with information on any intended action to propose such a new international standard to the competent international organisation.

Any comments by other EFTA governments on such notifications were normally to be made through their delegations to EFTA in Geneva. If desired, the matter could be raised for discussion in the EFTA Council, which in its turn could refer the question to an expert group.

This scheme has been used in different degrees by the EFTA countries. Up to end-October 1973, a total of 180 notifications had been recieved by the EFTA Secretariat. In October, the EFTA Council instructed the Committee of Trade Experts to evaluate the experience gained so far and to suggest any improvements in the procedure considered desirable. At the time of writing, the committee has discussed the matter at one meeting.

International trade may be hampered not only by different technical regulations or standards, but also by provisions for the testing and inspection of goods. Thus, it is often required that goods be tested by the authorities in the country of import. This requirement can be eased by arrangements whereby importing countries, while still insisting that their own standards be met, will accept the tests and inspections carried out to those specifications in the exporting country.

This is a path which EFTA has followed since 1969. Arrangements now exist for the mutual recognition of tests of certain electrical products, of pressure vessels of all types, of ships' safety and fire-fighting equipment, of gas appliances and of agricultural tractors. In addition, a convention is in operation providing for the Mutual Recognition of Inspections in respect of the manufacture of pharmaceutical products. This is different from the other schemes in that the entire process of manufacture is subject to rigorous inspection, and not simply the end-product. Another special case is the hallmarking of articles made from precious metals. The convention on hallmarking was the first international regulation of any kind in this field and established the first international hallmark, which can be applied by the assay authorities of each participating country.

Two features of all these schemes should be noted:

First, they need not be limited to products subject to government inspection; they can work equally well between non-governmental authorities responsible for applying the standards.

Secondly, since these schemes do not arise from the Stockholm Convention (the EFTA Treaty), all have provisions whereby their membership can include organisations in non-EFTA countries, which are competent for the administration of regulations regarding the testing, inspection and approval of goods covered by the schemes. In fact, the schemes have an existence of their own, independent of EFTA.

At the ministerial meeting of the EFTA Councils in November, 1973, it was decided to investigate the possibility of introducing new schemes for the mutual recognition of test results. In addition, various EFTA bodies were asked to consider in what ways cooperation with other international organisations in the field of standards might most fruitfully be brought about.

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Oil politics coming to boil

E.B. Brook
Vienna

THER MORE than a year ago world dustries received the shock of sharply creased oil prices from the procers in the Arab countries and Iran. has taken them all that time to work t a strategy, led by the USA and folwed with various degrees of willingss by the western European states—expt for France and Norway to—handle e situation. Inevitably, it has someng of the character of a confrontation d has been accepted as such by the l producers organised in OPEC whose eneral-Secretary, the Algerian Abderanan Khene, has described the majority dustrial states' strategy as "extraordirily dangerous."

political weapon

The Arabs are said to have the comented that "petroleum is 90 per cent litics" and it is clear enough that the rabs, without the Iranians and other n-Arab oil producers of west Africa d South America, are united in presenng a solid front to use the oil weapon obtain concessions in the Arab-Israeli spute. This is a side of the issue so far litely obscured but how long it will main so now that the Algerian Presint of the UN General Assembly has mited Israeli speaking-time and given mple time for a speech by the Israelis' ch-enemy Mr Arafat remains to be en. There is no doubt that the very conderable Jewish influence in the USA garded not so much his speech but the ct that he was allowed to speak at all a grave irritation for which they hold e Algerians particularly responsible. It ight not be an exaggeration to attrite the militant tone of the US Secrery of State's address in Chicago on ovember 14 as, in part, a response to is irritation. In response OPEC, through general-secretary, made it very clear at the formation of a 16-nation intertional energy agency within OECD was garded as an unfriendly act.

Mr Khene remarked acidly that the SA, Britain and France between them ent more on armaments than all the PEC states were able to earn as nanal product. The inclusion of France his remark was a trifle unfair for ance will have nothing to do with this -nation energy organisation and is riving for an oil summit meeting been oil-consuming and producing counies fairly soon. Norway, rich in oil, els, it does not need the new US—led venture and the French claim that none of the 16 States except the USA are really opposed to the French proposal. Greece, at odds with NATO, is also keeping out and Finland, with its close ties with the USSR, also keeps aloof. It is worth remarking that three European neutral states—Austria, Sweden and Switzerland—that generally try to avoid big power politics—joined the oil-sharing group after receiving assurances that it would not violate their neutrality. Austria, host-country to OPEC which moved to Vienna from Geneva about eight years ago, may be hoping to have a chance to play its usual role as an intermediary and Chancellor Kreisky has already spoken of an "institutionalized dialogue. But at the moment there is not much scope for an intermediary. For the second and much more widely acknowledged, aspect of the oil confrontation —the more intractable question of striking a fair balance between the cost of Arab and Iranian oil exports and the steadily rising cost of their imports, largely industrial, from oil-consuming states of high industrial development. This aspect is the more intractable because it hides divergences among oil-producing countries.

wide divergence

Between the Saudi Arabian attitude and that of Iran there is wide gulf and source of much open and even more not so open recrimination. The Saudis want to get the Israel issue out of the way partly because its continuance increases the activity and political power of Arab radicals to whom the Saudis are at least opposed as much as they are to the Israelis. Saudi Arabia, also, needs no more oil income. Iran has no interest in the Israel issue but is intensely interested in earning at least as much from its oil exports as it has to pay out to meet the ruinous western inflation which sends its import bills ever higher. Both sides see in the USA their major opponent, which is one reason why the shaky British and French currencies have enjoyed the benefit of Arab and Iranian investment and purchases which might have been expected to cross the Atlantic. The Venezuelans and Nigerians might be expected to have attitudes similar to Iran and the poorer oil producers—Egypt Libya and Algeria—might one day stress Arab unity in seeking financial help from the wealthy Saudis. For this reason Saudi Arabia stands closer to the US attitudes than any other Arab state and the coming OPEC session here is likely to see some explosive speaking.

Another aspect of high oil prices stems from the west's and especially the USA efforts since the early 1960s to seek and produce oil in areas under their control and preferably within their own territories. The huge cost of making new oil borings, often uselessly, in the USA and west Europe, in the seas near their shores and the expensive production of oil from shale have forced up oil and petrol prices to the industrial user, domestic consumer and foreign importer similarly to the rise caused by the Arab and Iranian oil price surge. The huge oil companies have not only doubled their outlays but also their profits in several cases and never less than by 40 per cent. These profits have enabled the concerns to take a major share in building atomic energy stations and to control a sizeable part of known uranium deposits and coal reserves.

Nervousness about the value of money has pushed the value of gold up to some 200 dollars per troy ounce. This does not reflect a rational estimate of the world economy or of the prospects of any individual national economy. The US dollar, and the franc (French) have suffered systematically and the West German Chancellor, Herr Schmidt—a politician rather prone to off-the-cuff remarks—added to the general feeling of insecurity by hinting that he saw no objection to an increase in the value of the mark in order to reduce his nation's huge trading surplus.

illusory strength

Germany's strength can lead to illusions. Unemployment is rising fairly sharply in a country acutely sensitive to worklessness and high prices. This helps to account for the fact that though the socialist-liberal coalition consistently produces good economic results in exports it has recently lost state elections in Bavaria and Hesse very largely because things nearer the German heart than sales abroad are not going so well. If and when the internal position in West Germany comes more nearly to resemble the situation in Britain or even Italy the money-exporting "guest-worker" will no longer be welcome and the "guest-workers" homelands, with German money stored, will no longer be able to buy German products. There is increasing threat to existing political institutions as strikes in France and some political debates in Britain have shown.

TRADE WINDS

India-GDR Panel

THE TALKS between Prime Minister Indira Gandhi and the Premier of the German Deomcratic Republic (GDR), Mr Horst Sindermann, and their aides ended with the signing of an agreement on the establishment of a permanent joint commission for economic scientific and technical cooperation between the two countries. This is the fourteenth such commission to be set up by this country with foreign countries, and will have under its perview relations in the field of industry, commerce, agriculture, shipping, electronics, science and technology planning and any other economic area mutually identified by the two sides. Efforts would be made by the two sides to accelerate the growth of trade between the two countries. The GDR is reported to have agreed to import non-traditional goods, especially engineering products from India. The joint commission is expected to review the economic relations between the two countries and explore new areas of cooperation at least once every year. The Indo-GDR trade, which is of the order of Rs 64 crores is expected to be doubled over the next five-year period. The agreement also is expected to boost industrial collaborations between the two countries.

Indo-Czech Agreement

The Indo-Czechoslovak protocol on economic, trade and technical cooperation was initiated recently by the two co-chairmen of Indo-Czechoslovak Joint Committee, Mr Ing. Andrej Barcak, Czech minister for Foreign Trade and Prof. D.P. Chattopadhyaya, union minister of Commerce. The protocol was signed on December 4, 1974 in the presence of the Prime Minister of India and the Chairman of the Council of Ministers of the Czechoslovak Socialist Republic.

The growth of Indo-Czechoslovak trade and measures to increase it were discussed, taking into account the need of crucial commodities needed by both sides. It was argued that efforts should be made for the increase in export of non-traditional items from India to Czechoslovakia such as processed food products, products of manufacturing units set up with Czechoslovak assistance or collaboration, engineering products and a wide range of consumer goods. It was hoped that the credit extended under the Third Economic Agreement would be utilised expeditiously.

In the field of science and technology both sides drew up a concrete programme of cooperation for the period January 1975 to December 1976, in accordance with the agreement in this field signed in May, 1973. The programme envisages cooperation in beneficiation of low grade ferrous and non-ferrous ores, building sciences, industrial microbiology and industrial fermentation, welding and high pressure vessel technology, medical fields, natural and artificial fibre and fabric, leather research, macromolecular chemistry, application of cybernetics in planning and cooperation in the field of farm machinery. It was agreed that the programme of cooperation should be development oriented through undertaking projects of applied nature and of relevance to both countries.

In the new field of electronics both sides held detailed discussions on the various possible areas of collaboration and trade in electronic items. It was decided to expand the scope of the existing agreement for the production of radar equipment, expand mutual trade in electronic components, pay special attention to collaboration in computer peripherals and consider utilisation by the Czechoslovak side of the facilities offered by the Santa Cruz Electronic Export Processing Zone.

In the field of industrial cooperation both sides recognised the need for diversifying scope of collaboration into new areas of sophisticated technology. Examination of possibilities of undertaking joint ventures in third countries was particularly discussed by both sides. Constructive and time bound recommendations were also made relating to fuller utilisation of capacity of Czechoslovak aided projects. The Indo-Czechoslovak Joint Committee was set up in 1966. Its fourth meeting was held in Prague in June last year. Its present meeting is the fifth one in the series.

India-Sudan Cooperation

India and Sudan signed recently two agreements on economic, scientific and technical cooperation and cultural exchanges which the Foreign ministers of the two countries said would open new vistas in their bilateral relations. The Sudanese President Gaffar Mohammed Nimeri and Prime Minister Indira Gandhi witnessed the signing ceremonies. Under this five-year agreement, renewable for another five years by tacit agreement of both sides, India would carry out feasibility studies for setting up in Sudan cement, textile and sugar plants and establish small-scale industries for manufacture of agricultural and other implements. India is also expected to supply sophisticated machinery to Sudan on a deferred paym basis.

The second agreement cultural exchanges envisa exchange of professors, gr of scholarships and excha of museum objects, biblio phy and specialists in vari fields, including radio, p and sports. The agreem provides for setting up a jo committee of the Indian Sudanese officials which meet periodically to draw details for exchange of p sonnel.

Agreement with Egypt

A protocol for the exchar of materials, including se and implements for expe mental purposes and inf mation and documentation agriculture was signed betw the governments of India a the Arab Republic of Egy recently. This is in con nuation of the protocol sign earlier in 1969, between two countries, concerni technical and scientific operation in the field of ag culture. The protocol al envisages exchange of visits high government officials a experts and grant of schola ships for training. Dr. M. Swaminathan, Director-Gen ral, Indian Conncil of Ag cultural Research and Sec tary to the government India and Mr. M.A. Ghaffa Director-General, Cotton R search Institute, Giza (Egyp signed the protocol on beha of their respective gover ments.

In the field of cro improvement, both countri will cooperate in evolving hi yielding and high quality v rieties and hybrids of fie crops together with appro priate package of practices b utilising the materials of Ara Republic of Egypt and Indi The crops covered inclu rice, wheat, sorghum, legume oilseed cotton, suga cane. horticulture and fib crops, as also land reclam tion & rehabilitation, wat management, solar energ cow dung gas plant for ener and manure and agricultur implements. In the field animal sciences and fish ries, collaboration is envisaged in vaccine production, disease investigation, fisheries, horse breeding, broiler production, and buffalo breeding. According to the protocol, the programme is to be implemented in 1974 and 1975.

New Delhi-Bonn Pacf

India and West Germany signed an agreement on November 25 for scientific cooperation. Prof. K.H. Bechurts, Chairman of the Federation of Research Institutions, and Dr. Y. Nayudamma, Director-General of the Council of Scientific and Industrial Research, signed the agreement for West Germany and India, respectively. The agreement covers abont 35 research projects in geo-sciences, materials research, coal technology, electronics, food processing technology and electrical, chemical, and mechanical engineering. The two countries will exchange non-classified information, scientists and technicians and assist in procuring scientific equipment. Prof. Bechurts said, "As West Germany was fairly advanced in coal technology it could assist India in developing coal mines scientifically." In electronics, joint research was planned for designing semi-conductors and integrated circuits.

Copper Forum

A Copper Forum, to discuss the production, availability and industry's problems related to the very important metal, copper, was held recently in New Delhi. The forum, first of its kind, effectively considered, the role of this metal vis-a-vis Indian industrial development and analysed the problems of primary metal production, copper semis industry and identified the areas where research and development efforts can be useful. The participation of over 350 delegates from all over India and few experts from abroad amply signified the importance of the meeting. In his inaugural address, Mr. M.S. Pathak, Member, Planning Commission, dwelt upon the steps taken by the Planning Commission and other similar bodies towards country's self-sufficiency in vitally important minerals and metals. Emphasizing the necessity of science and technology for improving the industrial atmosphere and consequently the standard of living of people.

National Seeds Corporation

The National Seeds Corporation (NSC) achieved a turnover of Rs 831.80 lakhs during the year 1973-74, reflecting an increase of 15 per cent over the previous year's turnover. The pre-tax profits earned by NSC were to the tune of Rs 116.38 lakhs compared to Rs 84.28 lakhs in the previous year. The corporation has declared a dividend of five per cent.

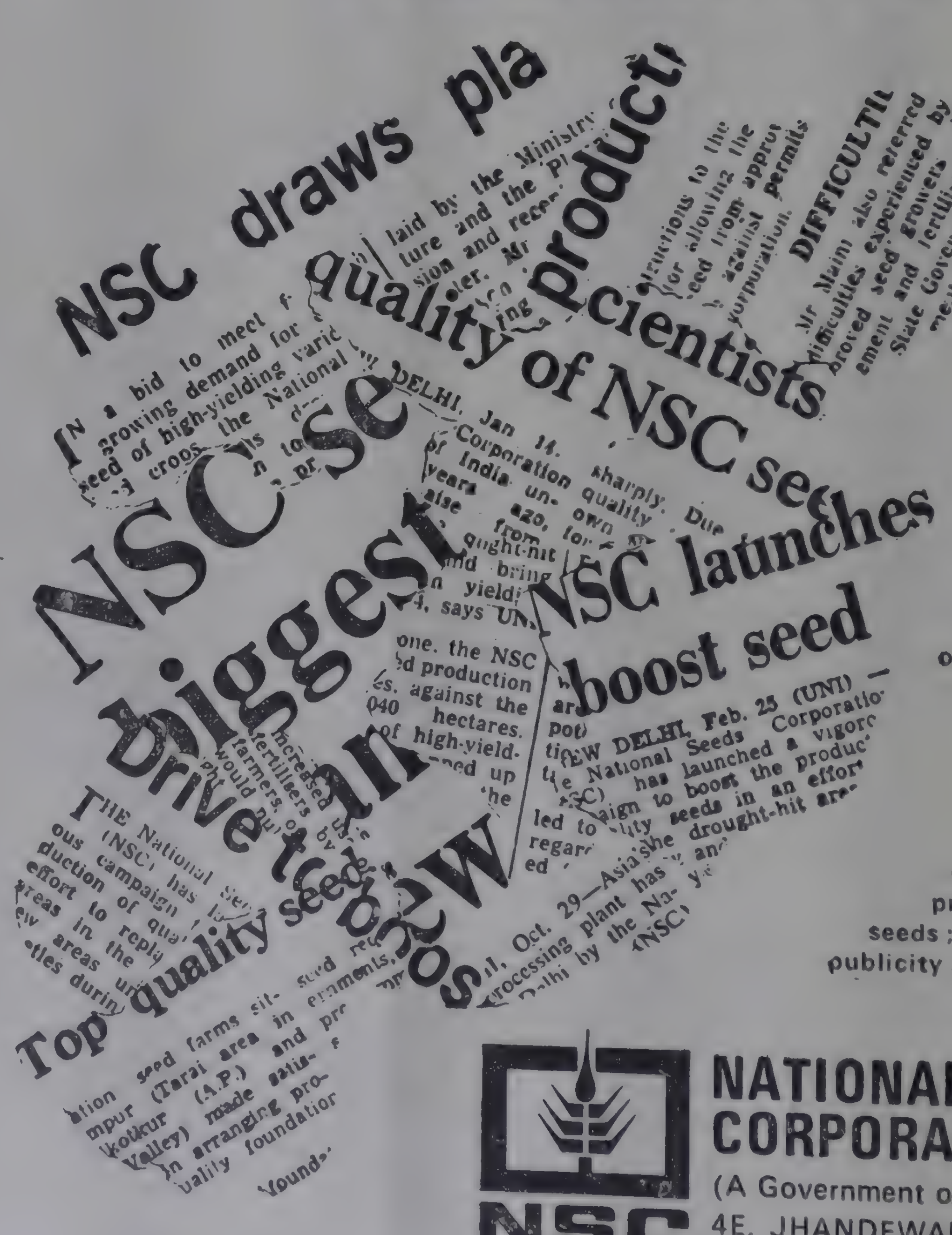
For the current year, the NSC has taken up production and distribution of high quality seeds to meet increasing demands of the farmers. The targets for the current year, the first year of the fifth five-year Plan are 103,000 quintals for foundation seed and 782,000 quintals for certified seeds which exceed those originally envisaged for the final year of the fifth Plan. Last year production and distribution of foundation seeds and certified seeds touched the figure of 57,000 quintals and 307,000 quintals respectively. Advance action is being taken to ensure that the achievement of these targets is not hampered by constraints in availability of finance, processing facilities etc.

The NSC is also to implement new schemes for building up a sound seed industry in the country, for which a sum of Rs 7 crores has been allocated in addition to a sum of Rs 4 crores provided by the Planning Commission for increasing the level of normal activities. One of the important schemes envisages the building up of buffer stocks of quality seeds. The other is aimed at stimulating the production and supply of better vegetable seeds. The third scheme is intended to establish sound seed organisations at the various state/regional levels. The expertise of the National Seeds Corporation has also been made available to the developing countries for organising quality seed production agencies and setting up seed processing plants.

Government to Encourage Small Units

As a measure of assistance to the small-scale industry, the union government has decided to include 28 additional items for the exclusive purchase from this sector. The Directorate General of Supplies and Disposals will now purchase only from small industrial units these new items which include electrical appliances, fittings for sanitary plumbing, liquid soap, wax paper. wooden chairs, blotting paper and centrifugal pumps etc. The list of articles reserved for exclusive purchase from small-scale units consisted of 192 items. With the addition of 28 new articles, the list now contains 220 items. The items are: 1. Animal driven vehicles (civil requirements only) 2. Anklets web khaki 3. All badges, cloth embroidered and metals. 4. Attache cases 5. Bags ice head (civil requirements only) 6. Bandage cloth. 7. Barbed wire. 8. Basket cane 9. Belt leather and strips. 10. Belt leather. 11. Benzol Benzoate. 12. Blacksmith hearth 13. Boot polish. 14. Bone meal. 15. Boxes made of metal (civil requirements only). 16. Boxing boots. 17. Boots and shoes of all types excluding canvas shoes (civil requirements only) 18. Brass dampers 19. Brass padlocks. 20. Brief cases. 21. Brooms. 22. Buckles. 23. Brushes. 24. Button metal. 25. Cans (made up to G. I. sheets for milk and meauring) 26. Cash bags. 27. Caps cotton. 28. Caps woollen. 29. Caps waterproof. 30. Casing and capping. 31. Ceiling roses upto 15 amps. 32. Copper sulphate, 33. Centrifugal steel plate blowers. 34. Coir mattress and matting. 35. Chains lashing. 36. Chappals and sandals. 37. Coir fibre and coir yarn. 38. Community receivers. 39. Cone & valves (for water fitting only). 40. Conduit pipes (metllic). 41. Cotton wool (non absorbent). 42. Cotton cord twine (other than defence). 43. Cotton hosiery (civil requirements only) 44. Crates wooden. 45. Cumblies. 46. Curtains mosquito (civil requirements only) 47. Distribution boards upto 15 amps. 48. Dusters cotton all types except the items required in khedi. 49. Dust bins (civil requirements only). 50. Dust shield leather. 51. Electric call balls. 52. Electric buzzers. 53. Electric soldering iron. 54. Eyelets. 55. Expanded metal. 56. Film spools and cans. 57. Film polythene. 58. Football boots. 59. French polish. 60. Garments (civil requirements only). 61. Gas mantles. 62. Gauze cloth. 63. Ghamellas (civil requirements only). 64. G. I. padlocks. 65. G. I. bath tubs. 66. G. I. buckets. 67. Glass ampoules. 68. Gauze surgical all types (civil requirements only) 69. Gun metal bushes. 70. Gun cases. 71. Graphite crucibles upto N-0.200. 72. Hand drawn carts of all types (civil requirements only) 73. Handles wooden and bamboo. 74. Hand lamps. 75. Hand numbering machine. 76. Hair passam wool 77. Hand gloves 78. Hand presses 79. Hide and country leather of all types (civil requirements only) 80. Horse & mule shoes 81. Hob nails 82. Holdalls. 83. Insecticides dust and sprayers (manual only) 84. Invalid wheeled chairs. 85. Keys wooden. 86. Kit bags. 87. Kodali. 88. Kullahs. 89. Lace leather. 90. Lint plain. 91. Lanterns posts and bodies. 92. Lathies 93. Lamp signal. 94. Latex foam sponge 95. Lamp holders 96. Leather bags. 97. Leather boxes (not army type) 98. Leather harness 99. Leather washers 100. Low cost radio (medium wave band community) 101. Metalclad switches 102. Mail bags (canvas dossoti and jute) 103. Manhole covers 104. Metal polish 105. Metric weights 106. Miniature bulbs (for torches only)

107. Nail trip heel rustless 108. Nail cutters 109. Newer (other than defence) 110. Ordinary banch vices 111. Paper conversion products 112. Paint remover 113. Pillows (cotton) 114. Ovens electric (domestic type) 115. Patient coats and Pyjamas 116. Plaster of paris 117. Postal lead seals 118. Piles fabric 119. Plugs 120. Pouches 121. Postal weighing scales 122. Quilts, razais (cotton) 123. Rags cotton (civil requirements only) 124. Railway platform drinking water trolleys (civil requirements only) 125. Razors 126. Rubber ballons 127. Safety matches (except for defence) 128. Scissors cutting (ordinary scissors) 129. Shoes laces 130. Sign boards painted 131. Shellac 132. Skin sheap all types (civil requirements only) 133. Skiboots and shoes 134. Sole leather (civil requirements only, 135. Soap washing or laundry soap (civil requirments only) 136. Sockets 137. Spiked boots 138. Steel racks 139. Steel stools 140. Steel trunks (civil requirements only) 141. Steekintte (civil requirements only) 142. Stone quarry and stone quarry rollers 143. Suit cases 144 Steel desks 145. Shelves steel 146. Silk ribbon 147. Street light fittings 141. Tack metallic 149. Tape cotton (civil requirements only) 150. Tarpaulins (civil requirements only) 151. Teak fabricated round blocks 152. Tontage (civil/military and salitah just for tontag) 153. Tin trays 154. Tip boots 155. Tent poles 156. Umbrellas 157. Utensils cooking (except stainless steel utensils & vessels) 158. Wooden halves 159. Wood wool 160. Wooden plugs 161. Wooden ammunition boxes 162. Wheel-barrows 163. Wicks cotton (civil requirements only) 164. Wire adjusting screws 165. Wooden packing cases of all sizes (civil requirrments only) 166. Wire nails and horse shoe nails 167. Woolen hosiery (civil requirements only) 168. Pump hand 169. Wood screw (except ford fencer requirements) 170. Machine screws 171. Aluminium utensils 172. Drums and barrows 173. Oil stove (wick stoves oniy) 174. Snap-fasteners (excluding 4 pes ones) 175. Domestic utensils other than aluminium & stainless steel 176. Rivets of all types (including bifurcated) (except for defence requirements) 177. Stappling machines 178. Rolling shutter 179. Beam scales (upto 30 kgs.) 180. Steel wool 181. Tin can unprinted upto 4 gallon capacity (other than can OTS) 182. Welded wire mesh 183. Grease nipples and grease guns 184. P.V,C. footwears 185. Spectacleframes 186. Polythene bags 187. Sodium Silicate 188. Tyres and tubes (cycles) 189. Palm Rosa oil 190. Iron clad switches (upto 30 MPH) 191. Surgical gloves (except plastic) 19 Coir mattresses and cushio 193. Sanitary Plumbing F tings:—1) Toilet shelf 2) So tray 3) Robe Hook 4) Tow rail 5) Toilet paper holder Laboratory sink rail 7) Dra Board 8) Mosaic Wash bas 9) Wall Hung closet 10) W hung bidet 11) Taps 12) St



11 YEARS OF TRIALS AND TRIUMPHS

Introduction of seed certification for the first time in India; popularising newest hybrids and varieties; multiplying seeds of earlier imported varieties; organising indigenous designing and production of modern seed processing and testing equipment, creating hard core of farmers capable of producing high quality seeds; providing extension, publicity and training services.

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(A Government of India Undertaking)
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RANI JHANSI ROAD,
NEW DELHI-110055.

IMPRESSIONS-NSC-1/74

ock 13) Knob 14) Spout 15)
Waste Bottle 16) Ball cock 17)
Ball Mixer 18) Bath shower
194) Domestic Electric Appli-
nces:—Toasters, Electric iron,
Hot Plate, Electric Mixer and
rinder, Juic extractor, Electric
ghter, Electric oven 195. Soap
oft (For civil requirements
nly) 196. Soap liquid (For
ivil requirements only) 197.
oap yellow (For civil require-
ments only) 198. Glue 199.
Copper Napthenate 200. Plas-
ic cans 201. Magnesium Sul-
phate 202. Battery charger
Engine driven only (For civil
ndentors only) 203. Amme-
ers/Ohm meters 204. Automo-
biles Headlgight, Tail light
amp assembly (Civil require-
ments only) 205. Wooden
chairs 206. Tiles 207. Corru-
gated Board paper 208. Wax-
paper 209. Gumtape 210.
Toilet Rolls 211. Playing
cards 212. Sanitary Towels
213. Blotting paper 214. Water
Proof Papers 215. Transist-
ried Insulation Testers 216.
Stove ware Jars 217. Scien-
ific laboratory glass wares
(barring sophisticated items)
like Beaker 218. Buret-
tes, Pipettes, conical flask,
Round flask, Measusing cylin-
der, Filter funnel, Regent
Bottle 219. Squirrel cage, In-
duction Motors upto and in-
cluding 10KW, 440 volts, 3
220. Centrifugal pumps-suc-
tion and delivery 150mm X
50 mm 221. Crucibles upto
and including 31 kg. capa-
city.

RBI Concessions to Foreign Firms

The Reserve Bank of India has granted general exemption to companies incorporated in India, in which the non-resident interest does not exceed 74 per cent of their total equity share capital, from the operations of the provisions of Section 29 (2) of the Foreign Exchange Regulation Act, 1973. Under this section it will be recalled, all companies (other than banking companies) which are incorporated abroad, or in which the non-resident interest is more than 40 per cent, as well as branches of such companies are required to obtain the permission of the Reserve Bank to continue their trading, commercial or industrial activities in India which they have been carrying on since prior to January 1, 1974.

The exemption now granted is, however, applicable only in the case of the following categories of companies which have been granted licences after February 1970 under the Industries (Development and Regulation) Act, 1951 : Companies engaged exclusively in the production of items specified in appendix I to the Industrial Licensing Policy, 1973; Export-oriented companies, the annual average ex-factory cost (excluding excise duty payable) of whose products exported during the last three years to places outside India (other than Nepal or Bhutan) is not less than 60 per cent of the total ex-factory cost of annual production. The companies so exempted are required to file a declaration with the Reserve Bank in the prescribed form before February 24, 1975.

Set-up for Steel Units

The three steel plants under Hindustan Steel Ltd are to be reconstituted as three separate companies with their own independent management. This will end the existence of Hindustan Steel Ltd as a sub-holding company under the Steel Authority of India Ltd (SAIL), but one of the three new companies will be named as Hindustan Steel Ltd. The three plants are located at Bhilai, Rourkela and Durgapur. This long-expected decision was announced recently by Mr M. M. Wadud Khan, Chairman of SAIL and Secretary in the union ministry of Steel and Mines. Mr Khan stated that this will be done in the next two or three months. The three new companies will have their independent boards of management for effective delegation of authority and development of corporate management groups. SAIL will function as an over-all supervising and policy making body. Mr Khan said the targets of the fifth Plan for steel would not be affected by the present economic situation, and Bokaro's expansion from 1.7 million tonnes to 4.75 million tonnes and Bhilai's expansion from 2.5 million tonnes to 4 million tonnes would be pushed through without any financial constraints.

EPI Builds Stadium

Engineering Projects (India) Ltd a public sector unit has completed the indoor stadium project for New Delhi Municipal Committee on turn-key basis. The indoor stadium, the largest to be built in India, having a seating capacity for over 2.250 persons, was designed and constructed entirely by Indian engineers. EPI is fully organised to take up both in India and abroad large industrial projects on turn-key basis including project engineering, supply of plant and machinery, inspection and testing, civil works, erection and commissioning. EPI has in hand at present turn-key contracts of a total value of Rs 69 crores in India and projects valuing Rs 9 crores in Europe and the Middle-East.

Exports Look Up

"During the half year, April-September 1974, exports came to Rs 1518 crores or about 41.2 per cent higher as compared to Rs 1075 crores during the corresponding six months of last year. A few commodities such as sugar, basmati rice, cement, silver, naphtha and bitumen have substantially contributed to the increase in exports". This was disclosed by Mr. Y. T. Shah, Commerce Secretary, while presiding over the tenth annual general meeting of the Indian Institute of Foreign Trade, recently. Mr Shah felt confident that the original target of Rs 2600 crores for 1974-75 would be reached. He cautioned not to be complacent as slackening trends had been noticed in certain important commodities such as textiles and marine products. On import side, the Commerce Secretary said that the cumulative figures for first six months of 1974-75 were Rs 1831 crores as against Rs 1112 crores during the same period last year, registering an increase of nearly 65 per cent. "This would show again that there is no room for complacency whatsoever as even after the additional export performance of this magnitude, the trade deficit for the first six months alone stands at Rs 312 crores", he added. "To a developing country such as ours, the international prices of oil, fertilisers, foodgrains and raw materials have imposed tremendous hardship and resulted in an adverse movement of balance of trade as also the terms of trade." he said.

Coir Exports

Exports of coir and coir products from this country have increased to Rs 6.60 crores during the first five months of 1974-75 from Rs 4.85 crores in the corresponding period of the preceeding year. In terms of quantity also, the increase was recorded at 161,665 quintals as against 146,892 quintals. Almost all the varieties of coir products recorded an increase during April to August 1974. However, the rise in export earnings from coir rugs and carpets was the sharpest, as the figure shot up to Rs 52.7 lakhs, during the first five months of this year from only Rs 20,726 during the corresponding period last year.

Names in the News

International Wool Secretariat has appointed **Mr G. S. Ponda** as its Director for India and neighbouring countries. Mr Ponda, a marketing man. thus becomes the first Indian to hold this position. Prior to joining the Wool Secretariat he headed the marketing activities of Cadbury-Fry for the last seven years.

COMPANY AFFAIRS

Technical Rally

THE STOCK market turned a little steadier last week. The market, it seems, has derived some comfort from Mr. J.R.D. Tata's remark in his annual statement to the shareholders of Tata Chemicals that the dividend curbs would be removed in the near future. In Bombay last week the driving force was provided by the satisfactory solution, for the present, of the settlement tangle in Scindia while elsewhere technical considerations rather than news were the dominent influences. Otherwise there was nothing worthwhile during the week to warrant a significant change in the outlook for equities. With various uncertainties clouding the economic horizon it is doubtful whether the market will be able to develop a decisive trend in the immediate future.

Dalal Street opened the week on a steady note and equities recorded handsome gains during the first four days on short covering and selective fresh buying but reacted mildly in the following day. At the week-end the market was dull and listless. Over the week, on balance, several equities recorded handsome gains. But for a feeble rally Lyons Range continued to remain subdued during last week. There was no selling pressure as such but prices moved within a narrow range. Selected shares registered marginal gains but trading as a whole was essentially dull and drab. Industrials and chemicals were to the fore during last week's trading on the Madras Stock Exchange. Industrials were in good demand though prices showed a slightly downward trend.

Scindia Steam

Scindia Steam Navigation Company Ltd is persistently endeavouring to keep in check the operational costs, ensuring economy and introducing as far as feasible, innovations resulting from technological developments in cargo handling and ocean transportation. The company encourages adoption of unitisation as far as possible. In its India/UK-Continent Service, the company provided ships to lift full loads of palletised chests of tea from Calcutta. The company's vessels also lift palletised tea and rubber from Cochin and rubber from Malaysian ports and Singapore. Consideration is also being given to lift cotton piecegoods in pallets, to ensure economy and easy handling and to facilitate easy delivery of cargo. The ships acquired by the company in recent years are designed to carry containers. Containerisation with all its advantages has grown to be the major mode of carriage in the developed countries, such as the UK, Continent, USA, Canada, Japan and Astralia. The company's vessels in India/USA Pacific route have been catering to containerised traffic between Singapore, Taiwan and Hong Kong and the Pacific coast ports since 1971-72. This facility can be extended to Indian ports as containerised traffic develops from India.

In its tramping sector, the dry cargo freight market had been good throughout the year ended June 30, 1974 and the company's bulk carriers have been fully employed. However, the freight rates in recent months have been on the decline with numerous combination carriers and tankers switching to dry cargo trade. Meanwhile company is going ahead full steam with its acquisition programme. It has already taken delivery of 53,500 DWT bulk carrier "Jalvallabh". Apart from the one bulk carrier from 75,000 DWT on order with M/s. Scott Lithgows Ltd., Port Glasgow, which now is expected to be delivered by about the last quarter of 1976, the company had also ordered with Hindustan Shipyatd Ltd., two ships of 21,450 DWT each, to be delivered in 1976. In respect of these latter ships, it took considerable time to obtain government's permission and also clearance under the Monopolies and Restrictive Trade Practices Act. Meanwhile, the Hindustan Shipyard have asked for higher price and have also indicated longer delivery dates. The matter is under discussion with the yard.

As the government has fixed an ambitious target of 9.64 million GRT, including one million tons on order to be achieved by the end of fifth five year Plan, an all-out effort is called for making available of rupee and foreign exchange resources, facilities to raise rupee and foreign exchange loans on commercially viable basis and special developmental incentives. Hence the Chairman, Mr K.M.D. Thackersey in his annual statement to the shareholders of the company has pleaded for the retention of the development rabate on the ground that it was the greatest incentive to shipping industry to expand smoothly. The initial depreciation allowance proposed as an alternative to development rebate was not an adequate relief, he stressed. The development rebate, in the chairman's opinion, is the only answer to increase the shipping tonnage and also to achieve the
target fixed in the fifth fi
year Plan.

Dempo Steamships

Dempo Steamships
has fared extremely well dur
the 15-month period en
June 30, 1974, thanks to
boom in the freight mar
The impressive performa
during the year has enab
the directors to recomme
an equity dividend of
per cent for 1973-74,
maximum permissible un
the dividend ordinance
compared to eight per c
paid for the preceding y
ended March, 31, 1973.
gross freight and charter h
earnings touched an all-ti
high of Rs 10.35 crores dur
the 15-month period en
June 30, 1974 as compared
Rs 4.45 crores during
previous 12 months while
gross profit jumped to
4.52 crores from Rs 67
lakhs in 1972-73. Out of
gross profit, the directors ha
appropriated a sum of Rs 1
crores to depreciation rese
as compared to Rs 1.0 1cro
while an amount of Rs 9 la
was transferred to the devel
ment rebate reserve as agai
no provision in the earl
year. The net profit af
these allocations worked
to Rs 3.07 crores as compa
to a net loss of Rs 33.29 la
in the previous year. Out
the disposable surplus,
directors have set apart a s
of Rs 2.94 crores towa
general reserve as against
allotment in the previous ye

The two bulk carri
under construction, a 66,
DWT carrier from Belgi
valued at Rs 14 crores and
21,500 DWT carrier val
at Rs 5.5 crores from Hin
tan Shipyard, will be delive
in the first half of 1975. W
these acquisitions the co
pany's total tonnage will go
to about 214,200 DWT.
has further plans to dou
its tonnage in the current fi
year plan.

Tata Chemicals

Tata Chemicals has be
granted an industrial lice
for the manufacture of

process equipment required in a soda ash plant. Steps have already been initiated for such additions to the company's facilities as would ensure the company's capability for the implementation of this project. The company has also received an industrial licence for expansion of soda ash capacity from 360,000 tonnes to 500,000 tonnes and the work on this expansion programme is now well in hand. The company besides has received a letter of intent for the marginal expansion of the chlor-caustic plant in terms of caustic soda, by 4300 tonnes per year. The company further has received a letter of intent for the manufacture of 3600 tonnes per year of refined sodium bicarbonate. The company has also launched the Tata Energy Research Institute with an initial contribution of Rs one crore to develop and where possible provide alternative and cheaper sources of energy. The Institute has been registered as a Society at New Delhi.

Escorts

Escorts in collaboration with Compagnie Generale De Radiologie of Paris, one of the leading manufacturers of all types of medical X-ray electronics and surgical equipments, is promoting a new company styled 'CGR India Ltd', for manufacturing these equipments at the Santa Cruz Electronic export Processing Zone. The paid-up capital of the new company will be Rs 80 lakhs of which 60 per cent will be subscribed by the French company and the balance of 40 per cent by Escorts. The products manufactured by the new company will be solely for exports and Escorts will be appointed its sole distributors.

Indian Explosives

The directors of Indian Explosives Limited have recommended a final equity dividend of 7 per cent for the year ended September 30, 1974. This together with the interim dividend declared earlier makes a total of 12 per cent for the year which is the maximum permited under the dividend Ordinance. In 1972-73, the company paid a total dividend of 17.5 per cent. The working results for 1973-74 show an all-round improvement, with sales jumping to Rs 71.47 crores from 39.43 crores and the pre-tax profit nearly trebling to Rs 9.77 crores from Rs 2.87 crores in 1972-73. The reserves and surplus has on September 30, 1974 stood as high as Rs 14.88 crores as against Rs 7.69 crores in the earlier year. The market improvement in the climate of industrial relations and the availability of power to the fertilizer factory have, by and large, been responsible for the company's encouraging performance during 1973-74. In 1972-73 its operations were affected by severe power cuts, labour unrest and the accident in the Gomia explosives plant.

Oudh Sugar Mills

The directors of Oudh Sugar Mills Limited have proposed an equity dividend of 12 per cent for the year ended June 30, 1974 as against 28 per cent paid in the previous year. During 1973-74 the company crushed 50.65 lakh quintals of cane as against 40.66 lakh quintals in 1972-73, with a recovery of 9.41 per cent as compared to 9.90 per cent in 1972-73. Its production of power alcohol and spirit improved to 59.93 lakh litres from 51.64 lakh litres, as also its output of soap from 3249 tonnes to 4209 tonnes. Production of de-oiled cakes was also higher at 25,089 tonnes as against 24,520 tonnes while the output of vanaspati and oil and vegetable tallow declined to 13,068 tonnes from 16,884 in 1972-73.

The company's operations during the year has resulted in a gross profit of Rs 127.00 lakhs as compared to Rs 182.82 lakhs in the preceding year. Out of the gross profit, the directors have appropriated a sum of Rs 25.29 lakhs to depreciation and development rebate reserve, Rs 30.70 lakhs to general reserve, Rs 62.00 lakhs to taxation reserve and Rs 0.30 lakh towards reserve for bad and doubtful debts as against Rs 25.92 lakhs Rs 45.00 lakhs, Rs 92.00 lakhs and Rs 0.08 lakh allocated respectively in the preceding year. This leaves a surplus of Rs 8.71 lakhs as compared to Rs 19.82 lakhs in 1972-73. The proposed equity dividend will absorb Rs 9.30 lakhs as against Rs 21.70 lakhs a year ago, while the preference dividend

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NEW DELHI.

davp 74/348

will claim Rs 2.37 lakhs as compared to Rs 1.15 lakhs in the earlier year. In 1972-73 the preference dividend was for the period January 4, 1972 —the date of allotment—to June 30, 1973. After adjustments the amount of Rs 0.08 lakh has been carried forward to the next year's accounts.

IPCO Packaging

IPCO Packging which raised Rs 35 lakhs from the public in February last, expects to commence production of kraft paper and duplex board by the middle of 1975. The cost of the company's project at Tarapur, with a capacity of 18 tonnes a day, has increased substantially from the original estimate of Rs 1.13 crores on account of rise in prices of land, building materials and machinery. Financial arrangements have been finalised to meet the over run in project cost. Meanwhile, the company has received a letter of intent to manufacture up to 50 tonnes of writing, printing, packing and industrial papers per day.

News and Notes

Bestobell India has received recently government's approval to its proposed collaboration arrangments with George Kent Ltd. of the UK. It is now negotiating with the government for its expansion programme. Steps are being taken to issue equity shares of Rs 25 lakhs by way of a rights issue to the Indian shareholders so as to reduce the foreign shareholding to 39 per cent.

New Issues

Scooters India which is setting up a project at Luknow for the manufacture of one lakh two-wheelers scooters and 30,000 three-wheeler scooters annually will entering the capital market shortly with a public issue of Rs 2.15 crores, all in equity shares of 10 each. The company has an authorised capital of Rs 5.50 crore in equity shares of Rs 10 each. Of the issued capital of Rs 5 crores, fully paid equity shares of Rs 2.04 crores have already been taken up by the government of India, the promoters, which has acquired the entire plant from Innocenti, Milano of Italy, the manufacturers of Lambretta Scooter. The government of India has also agreed to take up further equity shares worth Rs 51 lakhs whereas equity capital to the tune of Rs 30 lakhs will be allotted to Innocenti. The project is nearing completion. Trial production of two-wheelers has already commenced. The company hopes to go into full commercial production in January, 1975. Trial production of three-wheeler is expected to start in August 1975. The project which is estimated to cost Rs 13.20 crores will be financed by the share capital of Rs 5 crores term loans from IDBI, IFC, LIC and IOB of 2.70 crores and term loans from the government of India of Rs 5.50 crores. Barring unforeseen circumstances the management hopes to declare a reasonable maiden dividend in 1976-77.

With a view to diluting foreign holdings and to raise resources for the implementation of its expansion programmes and also to finance its increased capital requirements,

British Paints (India) Limited proposes to issue 2,62,282 equity shares of Rs 10 each at par towards the end of December. Of this 97,395 shares will be offered to Indian shareholders in the radio of one new share for every five shares held, 26,000 equity shares will be reserved for subscription in cash by directors and employees who are Indian nationals and the remaining 138,887 equity shares will be offered to the public for subscription at par. Barring unforeseen circumstances the directors are hopeful of declaring a handsome dividend on the enlarged capital. In 1973, the company announced an equity divided of 12.5 per cent but this had to be restricted to 6.25 per cent under the dividend ordinance.

Somani Ferro Alloys Limited is setting up a Rs 1.10—crore plant to manufacture carbon alloy and special steel with a capacity of 18,000 to 22,000 tonnes per annum at Kalyani, a notified backward area in West Bangal. To raise funds for the execution of this project the company will be entering the capital market shortly with a public issue of Rs 28.34 lakhs, comprising 1,98,400 equity shares of Rs 10 each and 8,500 preference shares of Rs 100 each at par. The entire public issue is underwritten. The capital cost of the project estimated at Rs 109.96 lakhs will be met by the share capital of Rs 41.56 lakhs, term loan of Rs 25 lakhs, deferred payment guarantee of Rs 38 lakhs and unsecured loan of Rs 5.40 lakhs. The company besides getting usual subsidies of the backward area is eligible to receive a capital subsidy of 15 per cent to the maximum of Rs 15 lakhs. The amount will act as a cushion for any possible escalation in project cost. According to present indications the plant is expected to go on stream by July next year. The management is confident of bagging sizable export orders for its products.

Gujarat Chem Distillers India Ltd., formerly Sardesai Bros. Ltd., proposes to enter th capital market soon with public issue of 15,000, (11 p cent.) cumulative redeemabl preference shares of Rs 10 each. The proceeds of th issue will be utilised for financing partly the country' expansion programme. It proposes to put up an acetic aci plant with a capacity of 3,00 tonnes per year near its factory site at Bilimore in Gujarat The company has alread entered into an agreement wit Messrs Indo-Berolina Industries (Pvt) Ltd. for the suppl of know-how. The compan has already spent about Rs 77 lakhs for diversification, expansion and modernisation. A further sum of over Rs 24 lakhs is proposed to be spent for the expansion of the existing capacities and for acquiring necessary services utilities for steam, power and refrigeration. Considering the long-term financial requirement, the company proposes to raise a further sum by the issue of 9,290 equity shares of Rs 100 each for the existing shareholders as rights shares in the radio of one new share for five shares held.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Gangappa Cables	June 30, 1974	12.0	Nil
Laxami Starch	March 31, 1974	12.0	10.0
Stanes Amalgamated Estates	June 30, 1974	8.0	Nil
Same Dividend			
Amrit Banaspati	March 31, 1974	Nil	Nil
Asian Paints	December 31, 1973	12.0	12.0
Cambodia Mills	December 31, 1973	Nil	Nil
Barium Chemicals	June 30, 1974	Nil	Nil
Reduced Dividend			
Mysore Cements	June 30, 1974	4.0	12.5
Kirlampudi Sugar Mills	June 30, 1974	6.0	8.0
Bisra Stone Lime	March 31, 1974	Nil	7.5
Vazir Sultan Tobacco Co.	September 30, 1974	12 0	25.0
Mysore Kirloskar	June 30, 1974	10.0	12.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended June 1 to June 29, 1974. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—new undertaking (NU), new article (NA); substantial expansion (SE), carry on business (COB); Shiftings—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

(During the Week ended June 1, 1974)

Metallurgical Industries (Non-Ferrous)

M/s Asian Paints (India) Ltd; 'Nirmal', 5th Floor, Nariman Point, Post Box No. 1946, Bombay-BR—(Bhandup-Maharashtra)—Wire Enamels—1,000 tonnes per annum.—(NA)

M/s Archana Investment Private Ltd; N-10, Kirtinagar, New Delhi—(Bahadurgarh-Haryana)—Copper and Brass Solids and Tubes—500 tonnes p.a.—(NU)

Electrical Equipment

Shri G.J. Desai, Examiner Press Building, Nagindas Master Street, Bombay-1—(Nasik-Maharashtra)—*Electric Lamp Caps*:—E-22—50 mill. nos. p.a; E-27—20 mill. nos. p.a; E-40—2.5 mill. nos. p a.—(NU)

M/s Standard Batteries Ltd; Oldham Division, 21/22, Alandur Road, Guindy, Madras-22—(Madras-Tamil Nadu)—Batteries for Miners Cap Lamps—1.62 lakh nos.—(COB)

Transportation (in Lakhs p.a.)

M/s Satellite Engg. Ltd; P.O. Maize Products, Kathwada, Ahmedabad—(Kathwada, Ahmedabad, Gujarat)—Pistons—6 nos. p.a; Pistons Rings—30 nos.: Gudgeon Pins—7 nos.—(NU)

M/s Laxmichand Bhagaji Ltd; 79, Apollo Street, Bombay—(Surat-Gujarat)—Transmission Gears, Differential Gears, Worm Gears, Gear Box Assemblies, Rear Axle Assemblies—1200 tonnes p.a.—(NU)

Chemicals (Other than Fertilizers)

M/s Atic Industries Ltd: P.O. Atul, Via: Bulsar, Western Railway—(Bulsar-Gujarat)—Vat Dyes—836 tonnes p.a.—(SE)

M/s Emmes Metals Pvt. Ltd; 147, Govt. Industrial Estate, Kandivili, Bombay-67—(Bombay-Maharashtra)--Fluxes—1 tonne p.a.—(COB)

M/s Colour Chem Ltd: Ravindra Annexe, Dinshaw Wachha Road, 194, Churchgate Reclamation, Bombay—(Maharashtra)—Bromamine Acid—40 tonnes p.a.—(COB)

Drugs & Pharmaceuticals

M/s Bengal Chemicals & Pharmaceuticals Works Ltd; 6-Ganesh Chamber Avenue, Calcutta-13—(Kanpur-U.P.)—*Chloramphenicol Capsules B.P.* Each Cap. containing 250 mg. and (b) 125 mg.—20 lakhs p.a; Tetracycline Cap. I.B. of 250 mg.—225 mg.—20 lakh cap.; Chloramphenicol & Streptemycin (Chloramphenicol 125 mg. and Streptomycin—125 mg.—20 lakhs—(NA)

Sugar

M/s Amaravathi Co-operative Sugar Mills, No. K-1570, Krishnapuram Post, Udamalpet Taluk, Coimbatore—(Krishnapuram, Coimbatore, Tamil Nadu)—Sugar—2,000 tonnes p.a.—(SE)

Fermentation Industries

M/s Premier Breweries Ltd; Kanjikode West, Palghat—(Kanjikode West, Palghat, Kerala)—Bear—50,000 Hecto litres.—(COB)

M/s Arlem Breweries India Ltd; 'Chowgule House', Mormugoa Harbour, Goa—(Goa)—Bear—50,000 Hecta litres.—(COB)

Food Processing Industries

M/s Raipur Flour Mills, Post Box No. 5, Raipur—(Raipur-Madhya Pradesh)—Wheat Products—30,000 tonnes p.a.—(SE)

M/s Konkan Fisheries (P) Ltd; Chowgule House, Mormugao Harbour, Goa—(Ratangiri-Maharashtra)—Frozen Shrimps—1,000 tonnes: Canned Shrimps—98 tonnes.—(COB)

Letters of Intent

(During the week ended June 1, 1974)

Metallurgical Industries (Ferrous)

Shri R. Ramourti, 23-Kamruddin Industrial Estate, Safaid Pool, Kurla-Andheri Road, Bombay—(Maharashtra)—High Tensile Machine Screws—2,000 tonnes p.a; Self-Tapping Screws—500 tonnes p.a.—(NU)

Electrical Equipment

M/s Philips India Ltd; Shivasagar Estate, Block-A, Dr. Annie Basant Road, Worli, Bombay—(Loni-Poona, Maharashtra)—Variable Gang Condensors—22,50,000 pcs. p.a.—(SE)

M/s Laxmi Industries, Props: Shri Laxmi Cotton Traders Pvt. Ltd; 10-Homi Modi Street, Forts, Bombay—(Gujarat)—Multilayer Dielectric Ceramic Condensors—10 nos. p.a.—(NU)

M/s Bush India Limited, Sukh Nagar, N. S. Pathak Marg, Bombay—(Thana-Maharashtra)—Electronic Calculators—(Hand Held)—50,000 nos. p.a.—(NA)

Shri M. S. Gopal, M/s Hifame Pvt. Ltd; Rajmahal Extension, Bangalore—(Mysore-Karnataka)—Multi Tubular Battery Retainer Bags—12.5 mill. metres. p.a.—(NU)

M/s Cutler Hammer India Ltd; 20/4, Mathura Road, Faridabad-11—(Ballabgarh, Gurgaon, Haryana)—*Electronic Industrial Control Panels*:—(a) 5.30 HP DC Drives; (b) 30-1250 HP DC Drives; (c) AC Drives and Crane Control; (d) Industrial Logics worth Rs. 1.00 crores; H.F. Pre-heaters—Rs. 15,00,000—(NA)

M/s Bharat Bijli Ltd; Tata Press Buildings, 414, Veer Savarkar Marg, Prabhadevi, Bombay—(Maharashtra)—Power/Special Purpose Transformers upto 132 KV with or without on Load Tap Changers—1,200 MVA.—(SE)

M/s Electronic Components, 23-A, Netaji Subhash Road, Calcutta-1—(Madhupur, Santhal Parganas, Bihar)—Integrated Mica Foils—30 tonnes; Products obtained from these foils used as electrical insulation viz; (a) High temperature micanite; (b) Commutator Micanite; (c) Hot Moulding Micanite & Rings; (d) Mica Foleum; (e) Flexible Micanite & insulating material; (f) Paper reinforced silk reinforced & Glass fabrics reinforced Mylar reinforced Mica Tapes total—200 metric tonnes.—(NU)

Transportation

Shri S.M. Dalmia, 6/31, Kaparvati Babla Road, Kanpur-2—(Unnao-Uttar Pradesh)—Automobile Brake Slack Adjusters—100,000 nos. p.a.—(NU)

M/s Parikh Engg. & Body Building Co. Ltd: Jamshedpur, Bihar—(Jamshedpur-Bihar)—Tipping Gears—5,000 nos. p.a.—(NU)

M/s Rane Brake Linings Ltd; Plot No. 30, Industrial Estate, Ambattur, P. B. No. 3, Madras—(Tamil Nadu)—Brake Linings and Clutch Facings—2,000 tonnes p.a.—(SE)

Industrial Machinery

Dr. B. B. Puri, 5-Hanuman Road, New Delhi-1—(Ballabgarh-Haryana)—Ball Bearing—3 mill. nos.; Tapered Roller Bearings—1.5 mill. nos.; Cylinder Roller Bearings—0.5 mill. nos.—(NU)

Engineering Industries

Shri Subhash Chander Aggarwal, 26/64, Punjabi Bagh, New Delhi—(Malerkotla, Sangrur, Punjub)—Hand & Cutting Tools—5,000 tonnes p.a.—(NU)

Shri P. N. Handa, N-49, Panchshila Park, New Delhi-17—(Alwar-Rajasthan)—Hand & Cutting Tools—5,000 tonnes p.a.—(NU)

Shri H. P. Roy, 'White House', 91, Walkeshwar Road, Bombay-6—(Maharashtra)—Hand & Cutting Tools—5,000 tonnes p.a.—(NU)

Chemicals

M/s Hindustan Insecticides Ltd; New Delhi—(Thana-Maharashtra)—Malathion Technical—1,800 tonnes p.a.—(SE)

M/s Unichem Laboratories Ltd; 4, 5, 6, Jogeshwari Estate, Jogeshwari (West). Bombay—(Bombay-Maharashtra)—Maleic Anhydride—1,200 tonnes p.a.—(NA)

M/s The Travancore Electro-Chemical Industries Ltd; Chingavanam P. O., Kottayam—(Kottayam-Kerala)—Calcium Carbide—25,000 tonnes p.a.—(SE)

M/s East Anglia Plastics (India) Ltd; 3-Camac Street, Calcutta—(Gujarat)—Cellulose Acetate Sheets—175 tonnes p.a.—(NU)

M/s Consolidated Crop Protection (P) Ltd; Bombay-25—(Bombay-Maharashtra)—Ethion Technical and its formulations—120 tonnes.—(NU)

Dyestuffs

The Managing Director, U. P. State Industrial Development Corpn. Ltd; 117/420, G. T. Road, Kanpur—(Uttar Pradesh)—Vat Dyes—150 tonnes; Napthols—250 tonnes; Fast Colour Bases—200 tonnes; Disperse Dyed—50 tonnes; Sulphur Black—50 tonnes.—(NU)

Textiles

M/s Bihar State Industrial Development Corpa. Ltd; Bandar Bagicha, Patna—(Bhagalpur-Bihar)—Processing of Cloth—30 million metres. p.a.—(NU)

Paper & Pulp

M/s Development Corpn of Konkan Ltd; Warden House, 5th Floor, Sir P. M. Road, Bombay—(Tarapore, Thana, Maharashtra)—8-Hydroxy-Quinoline—150 tonnes p.a.—(NU)

Shri R. P. Bhargava, C-48, South Extension, Part-II, New Delhi—(Bulandr shahar—U.P.)—Electrical Insulation Paper—3,000 tonnes p.a.—(NU)

M/s Indian Dairy Corpn., Yaskamal Building, Baroda—(Gujarat)—Laminated Paper—7,000 tonnes.—(NU)

Shri Inder P. Chaudhrie, 'VIVEK', 45, The Mall, Delhi—(Jammu/Samba—J & K)—Softwood Sulphite Pulp & Bye-products thereof—5,000 tonnes.—(NU)

M/s Cellulose Products of India Ltd; P.O. Kathwada Maize Products, Distt: Ahmedabad—(Ramol-Gujarat)—Moulded Corrugated Boards—2,500 tonnes; Straw Board & Mill Board—2,500 tonnes; Duplex Board—4,000 tonnes; Draft Paper—2,000 tonnes.—(NU)

Food Processing Industries

Shri K. Sreenivasan, No. 48, Main Road, Madras-13—(Tiruchirapalli-Tamil Nadu)—Maize Products—30,000 tonnes.—(NU)

Shri R. V. Dongre, 'Quest End', 3rd Floor, 47, Cuffe Parade, Bombay—(Nanded-Maharashtra)—Baby Food—2,5 tonnes; Milk Powder—500 tonnes.—(NU)

Leather & Leather Goods

M/s Banil Leather Corpn. 34, Wuthucattan Street, Peri met, Madras—(Saidapet Chingleput, Tamil Nadu)—Finishe Leather from Skins—7 lakh nos. p.a.—(SE)

M/s Pioneer Leather Finish Pvt. Ltd; Jajmau, Kanpur-(Kanpu-U.P.)—Finished Leather from Skins—2 lakh nos. p.a.-(NU)

Shri M. L. Kotru, 7/62, South Patel Nagar, New Delhi-(Maharashtra)—Finished Leather from Skins—9 lakh no p.a.—(NU)

Timber Products

Shri Kantilal P. Patel, c/o Patel Babulal Pranlal & Bro Rosewood Exporters, Post Box No. 1778, Cochin-16—(Hubl Karnataka)—Decorative Veneers—5.16 mill. Square Metr p.a.—(NU)

M/s Anil Hardboards Ltd; Lakshmi Insurance Bldg; S P.M. Mehta Road, Bombay-1—(Bhandup, Bombay, Maharash tra)—Hard Board—25,000 tonnes.—(SE)

Changes in Names of Owners or Undertakings

(During the week ended June 1, 1974)

(Information pertains to particular licences only)

From M/s Indian Petrochemicals Corporation Ltd. t M/s Bongaigaon Refinery and Petrochemicals Limited.

Licences Issued

(During the week ended June 7, 1974)

Metallurgical Industries (Ferrous)

M/s Konkan Steel Pvt. Ltd., 11, Bank Street, Fort, Bom bay-4000—(Chiplun-Maharashtra)—Mild Steel ingots—12,50 tonnes.—(COB)

M/s Rathi Mini Steel Ltd., 3A, Vandhna, 11, Tolstoy Marg New Delhi-110001—(Tarapur-Maharashtra)—Mild Steel Ingot 24000 tonnes.—(COB)

M/s Baldev Steels Limited., A-71, Wazirpur Indl. Area Delhi-110052—(Bahadurgarh-Haryana)—Mild Steel Ingots—18,000 tonnes.—(COB)

M/s Singh Electro Steel Limited., B.P.T. Plot No. 2 Victori (Overbridge) Road, Mazagoan-Bombay-400010—Mild Stee Ingots—18000 tonnes.—(COB)

M/s Lachhman Wire Industries Ltd., Dighaghat Patna-11—(Patna-Bihar)—Mild Steel galvanised Wires—5000—tonnes.—(COB)

M/s Kashi Ispat (Pvt) Ltd., 75-A, Ravindra Puri Varanas (U.P.)—(Bhagalpur-Bihar)—Mild Steel Ingots—9,000 tonnes.—(COB)

M/s Trident Metal Profiles Pvt. Ltd., 8, Bhagwan Mansion Cinema Road, Bombay-20—(Thana-Maharashtra)—(i) Hig Carbon profiled wires—2400 tonnes; (ii) M. S. Flat wire Galvanised—1500 tonnes; (iii) M. S. Wires-Galvanised only—3300 tonnes.—(COB)

M/s Multi Steels (India) Ltd., Kanak Buldgs, 2nd Floor 41, Chowringhee Road, Calcutta-700019—(Hyderabad-A.P.)—Mild Steel Ingots 18,000 tonnes—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Agarwal Metal Works Pvt. Ltd., Rewari. Haryana—(Rewari-Haryana)—Copper and Brass Sheets & circles—29 tonnes. Aluminium Sheets and coils. 310 tonnes. Highy polishe zinc plates for Photo engraing. 60 tonnes.—(COB)

Electrical Equipment

M/s Rockwell India Ltd., 21, Reveline Street, Bombay-400001—(Surat-Gujarat)—Electric Fans—63,000 nos.—(COB)

Chemicals

M/s Excell Industries Ltd., 184-87, Swami Vivekanand Rd, Jogeshwari, Bombay—(Bombay-Maharashtra)—Alpha Napthyl Acetic Acid—10 tonnes.—(NA)

M/s Manw Udyog Pvt. Ltd., Nunhai, Agra-6—(Agra-Uttar Pradesh)—Nylon Moulding Chips-450 tonnes.—(NU)

M/s Alkali & Chemical Corpn. of India Ltd., 18, Strand Road, Calcutta-1—(Rishra-Distt. Hoogly West Bengal)—Rubber Chemicals—6,000 tonnes. Diphenylamine—2,500 tonnes.—(SE)

Textiles

Shri Murari Lal Dalmia, 12, Lawrence Road, Amritsar—(Amritsar-Punjab)—Cotton Yarn—25,000 spindles.—(NU)

M/s Bachardas Spg. and Wvg. Mills Co. Ltd., Post Box No. 22, Raikhad, Ahmedabad—(Ahmedabad-Gujarat)—Cotton Cloth—601 looms.—(SE)

M/s Elgin Mills Co. Ltd., Civil Lines, P.B. No. 11, Kanpur, Unnao-Uttar Pradesh)—Cotton Yarn—12,000 spindles.—(NU)

M/s Mashino Textiles Private Limited., 3, Circular Road, Dehradun-U.P.—(Varanasi-Uttar Pradesh)—Cotton and stapple fibre yarn—25,000 spindles.—(NU)

M/s Haryana State Indl. Dev. Corpn. No. 4 & 5, Sector, 17-A, Chandigarh—(Haryana)—Cotton Yarn—25,000 spindles.—(NU)

Paper and Pulp

Shri Nandlal Todi, P-15, India Exchange Place Extension, Calcutta-12 (W.B.)—(Madhya Pradesh)—Grey Board. Duplex Board. Packing & Wrapping Paper; Writing Paper—6,600 tonnes.—(NU)

M/s Bheka Paper Mfg. Co. Pvt. Ltd. 13, Gunbow Street, Fort, Bombay-1—(Nanjangud-Karnataka)—Item of Mfr. Annual Capacity, Duplex and other Board—4,500 tonnes; Kraft Paper—1,500 tonnes; Writing and Printing Paper—3,000 tonnes.—(NU)

M/s Cardboard Printing & Processing Industries Ltd., 4, Olive Row, Calcutta-(Alambakar-West Bengal)—Corrugated boards rolls, Boxes and components—705 tonnes—(COB)

Sugar

Sh. J. T. Mahajan, M.L.A., M/s Yawal-Raver Taluka Coop. Sugar Factory, Faizpur. C/o D. M. Mahavidyalaya Faizpur, Distt. Jalgaon—(Jalgaon-Maharashtra)—Sugar—1250 tonnes.—(NU)

M/s Jai Bhavan Co-op Sugar Factory, Georai, Distt. Bhir, Maharashtra — (Bhir-Maharashtra) — Sugar—1250 tonnes.—(NU)

M/s Bhima Sahakari Sakhar Karkhana Ltd., At & Post Patas, Taluka Dhond, Distt. Poona (Mah.)—(Dhond-Maharashtra)—Sugar—1,250 tonnes.—(NU)

M/s The Punganur Co-op Sugar Factory Ltd., Purganur, Distt. Chittor, Andhra Pradesh—(Chittor-A.P.)—Sugar—1250 onnes.—(NU)

Collector, Guntur, Chief Promotor, The Propesed Co-op. Sugar Factory, Tenali-Repalle Area, Distt. Guntur, (A.P.)—Tenali-A.P.)—Sugar—1,250 tonnes.—(NU)

M/s The Hindupur Co-op Sugars Ltd., Hindupur Taluku, Distt. Anantapur (A.P.—(Anantapur A. P.)—Sugar—1,250 onnes.—(NU)

Dr. B. V. Parameshwara Rao, Chief Promoter, The Divvela Co-op Sugar Ltd., Dimili, Visaka Distt. Andhra Pradesh—(Vizag-Andhra Pradesh)—Sugar—1250 tonnes.—(NU)

M/s The Nizam Sugar Factory Limited., P. B. No. 1, Khairatabad. P. O., Hyderabad-A.P.—(Hyderabad-Andhra Pradesh)—Sugar—1250 tonnes.—(NU)

Vegetable Oils and Vanaspati

M/s Prabhat Solvent, Extraction Industries Pvt. Ltd., Manavadar, Gujarat—(Gujarat)—Cotton seed oil and its bye-products—2000 tonnes.(COB)

Rubber Goods

M/s Madras Rubber Factory Limited., Dirm Buildings, 175/1, Anna Salai, P. B. No. 3760, Madras—(Goa)—Camel Black/Tread Rubber-4,000 tonnes.—(NA)

Letters of Intent

(During the week ended June 7, 1974)

Metallurgical Industries (Ferrous)

M/s West Bengal Alloy Steels Ltd., 23-A, Netaji Subhas Road, P. B. No. 649, Calcutta—(Purlia-West Bengal)—A. Hot rolled and cold rolled steel strips 25,000 upto 250 mm. vidth, tonnes. High speed steel. Cobalt high speed steel Tool Steel Vanadium steel. 1% to 2% Tungsten steel. B. Hardened and tempered and polished strips. Carbon Steel. C. Hot rolled cold-drawn and centrelers ground wire rods. Carban Steel. Various other alloy steels having limited consumption.—(NU)

M/s Zaverchand & Gaekwad Pvt. Ltd., P. B. No. 95, Padra Road, Baroda—(Baroda-Gujarat)—High Pressure metallic Tubing—550 tonnes. Ordinary flexible metallic tubing—1250 tonnes.—(SE)

Shri I. John. Land End, 14th Floor, 29-D, Doongersoy Rd. Malabar Hills, Bombay—(Haryana)—Closed Die Forgings—6,000 tonnes.—(NU)

M/s National Steel and General Mills, Patel Marg, Ghaziabad—(Meerut-Uttar Pradesh)—Pipe fittings, such as Forged steel machines, Flanges, Discs, rings, (Carbon, alloy and stainless flanges)—3500 tonnes. Elbows, Tees, Crosses, Reducers Bends, Nipples—500 tonnes.—(NA)

Sh. H. K. Nathani, Akash Deep Building, 5, Lower Rowden St. Calcutta,—(Haryana)—Alloy Steel Castings—2,000 tonnes. Ni-Hard Castings—500 tonnes.—(NU)

Electrical Equipment

Sh J. P. Behani, G-2, Jamuna Path, Bani Park, Jaipur-6—(Aurangabad-Maharashtra)—Electrical Portable drill machines—30,000 nos Electrical hand Grinders.—2,000 nos. Electrical Portable Blowers—2,000 nos. Electrical Portable screw Drivers,

Shri Vipin B Khimji C/o M/s Rajan Khimji and Company., Western India House, Sir P.M. Road, Fort, Bombay—(Thana-Maharashtra)—H.T. Power Capacitors (up to 11 KV)—40,000 KVAR. L.T. Power Capacitors—15,000 KVAR. Electrolytic capacitors—2,00,000 Nos. Paper Capacitors—5,00,000 Nos.—(NU)

M/s General Trading Company, B2/B3, Govt, Indl. Estate, Moulali, Hyderabad—(Hyderabad-A.P.,—Tantalum Capacitors—10 Million Numbers.—(NA)

Shri J.A. Mehta, 195, Palaco Upper Orchards, Bangalore—(Bangalore-Karnataka)—H.T. Power Capacitors (upto 11 KV)—20,000 KVAR L. T. Power Capacitors—30,000 KVAR; Medium frequency power capacitors—15,000 KVAR.—(NU)

M/s Kerala State Electronics Development Corpn. Ltd., 1133 & 1134 Sisivihar Trivendrum—(Kerala)—Piezo-electric crystals—120,000 Nos.—(NA)

Shri P. G. Shukla, Arjan Mahal, Marine Drive, 'C' Road, Bombay-20—(Maharashtra)—Mechanical Shaft Seals.—1,00,000 Nos. (NU)

Transportation

Shri J. C. Nangia, 20, Union Park, Chamber, Bombay—(Daman-Goa)—Marine Propellers fixed blade and variable pitch (2.5 tonnes & above) 400 tonnes. Stern Gear Assembly—150 tonnes.—(NU)

Industrial Machinery

Sh. Dolatrai G. Desai, P.O. Kathodya Gujarat—(Gujarat)—Ball bearing—40 lakh Nos. Cylinder Roller bearing—5 lakh Nos. Tape roller bearings.—0.5 lakh Nos. Ball Bushings—0.5 lakh Nos.—(NU)

M/s Karnataka Ball Bearing Ltd., 195 Palace Upper Orchards, Bangalore—(Bangalore-Karnataka)—(i) Ball Bearing —30 lakh nos; (ii) Taper roller bearings—15 lakh nos; (iii) Cylinder roller bearings—5 lakh nos.—(NU)

M/s Repetition Parts Pvt. Ltd; L.B. Shastri Marg., Bhandup Bombay-78—(Aurangabad-Mah.)—(i) Gear & Worm Hobs & Grand Thread—2,000 Nos; (ii) Form Relieved Ground Guage Milling Cutters—1000 Nos; (iii) Misc. non-standard tools like separation spling thread millings cutters—15 lakh Nos.—(NU) Chippers, hammers, nut runners, Valve grinders & honning machines.—2,500 nos.—(NU)

Commercial, Office & Household Equipment

M/s American Refrigeration Co. Ltd., 13/C, Russel St. Calcutta-16—(Calcutta-West Bengal)—Water Coolers-5000 Nos. —(SE)

M/s Simac Group (India) Pvt. Ltd., 5/7. Sidupra Indl. Estate, Goregaon (West), Bombay—(Bombay-Maharashtra)—Double Bed Knitting machine and Rib Knitting Attachment—15,000 sets each—(NU)

Industrial Instruments

M/s Cutler Hammer India Ltd., 24/4, Mathura Road, Faridabad-II-(Gurgaon-Haryana)—Automatic weighing & batching equipment-100 Nos.—(NA)

Chemicals

M/s Tulue-Chem Industries Pvt. Ltd.. Dayanand Bldg. Sayaji Ganj, Baroda-(Baroda-Gujarat)—Resorcinol-240 tonnes —(SE)

Sh. G. Murugesan, L.T.M. C/o. The Tuticorin Spng. Mills Ltd., Post Box No. 59, 105, Palayamoottai Road, Tuticorin-3 (Tamil Nadu) (Tirunelveli, Tamil Nadu)—Sulphuric Acid—33,000 tonnes—(NU)

M/s Continental Sales & Service, 3-E/13, Jhandewalan Extn. Link Road, New Delhi—(Patiala-Punjab)—Sulphuric Acid—16,500 tonnes (NU)

M/s Hindustan Copper Ltd. Industry House, 10, Camac Street, Calcutta—(Khetri-Rajasthan)—Sodium Tripolyphosphate —20,000 tonnes—(NA)

M/s Tata Fison Industries Ltd., 21, Ravelin Street, Bombay —(Thana-Maharashtra)—Dimethoate Technical—1000 tonnes—(SE)

M/s Bharat Pulverising Mills Pvt. Limited., Div. Basic Minerals & Chemicals Co. Hexamer House. 28, Sayani Road, Bombay—(Thana-Maharashtra)—Phenthoate Technical—600 tonnes—(NU)

M/s Unichem Laboratories Ltd., 4, 5, 6, Jogeshwari Estates Bombay—(Maharashtra)—D. Propoxyphene HCL—6 tonnes—(NA)

M/s Agromora Limited. Mysore Road, Bangalore-26—(Bangalore-Karnataka)—Pesticidal Formulations based o Ethepon—40 Kilo Litres—(NA).

M/s New Chemi Industries Pvt. Ltd. (Ashok Nagar, Cros Road No. 1. Kandivlee (East), Bombay—(Nandesari-Banda (Gujarat)—Nitrocellulose—1000 tonnes—(NU)

Drugs & Pharmaceuticals

M/s Themis Chemicals Ltd. Plot No. 69, Vapi Industria Area. Vapi Gujarat—(Vapi-Gujarat)—Methyl Dope-12 tonne —(NA)

M/s Pidichem Private Ltd., Mafatlal House, Backba Reclamation, Bombay-400022—(Maharashtra)—Carbazole Di oxazine Violet Pigments—24 tonnes—(NU)

M/s Duphar Interfran Ltd. F/5, Sivsagar Estate, Dr. Anni Besant Road, Bombay-18—(Maharashtra)—Isoxuprine Hydrochloride—500 Kg. (NA)

M/s Indian Drugs & Pharmaceuticals Ltd., Rishikesh, P.O Vir Bhadra, Rishikesh—(Uttar Pradesh)—Capsules—7 mill Nos. Formulations of Ampicillin Corresponding to Ampicilling —2.5 tonnes in terms of bulk drug—(NA)

Textiles

M/s Kothari (Madras) Ltd., Kothari Textile Mills No. 2 Kothari Buildings, 20, Nungambakkam, High Road, Madras—Cotton Cloth—300 imported looms—(SE)

Sh. Krishnarajendra Mills Ltd., Bangalore Road, Mysore—Automatic Looms of indigenous make 100 Nos.; Terry Towel Looms (Imported) 12 Nos; Canvas Looms (Imported) 12 Nos—(SE)

M/s Swadeshi Cotton Mills Co. Ltd., P.B. No. 19. Mudaliarpet, Pondicherry—(Pondicherry)—Cotton Cloth-782 looms—(SE)

M/s Kohinoor Mills Co. Ltd. Naigaum Cross Road, Dadar, Bombay-14—(Maharashtra)—Cotton Cloth and convas—1750 Looms—(SE)

M/s Jagatjit Cotton Textiles Mills Ltd., Thapar House, 124, Janpath, New Delhi—(Punjab)—Cotton Cloth—1240 Looms—(SE)

M/s Bihar State Indl. Dev. Corpn. Ltd., Bundar Beghicha, Patna-1—(Forbesganj, Distt. Purnea (Patna)—Cement bags and sacking cloth—16,000 tonnes—(NU)

M/s Kothari (Madras) Ltd., Kothari Building, 20, Nungamalakkom, High Road, Madras—(Andhra Pradesh)—Cotton Cloth—300 Looms—(SE)

Food Processing Industries

M/s Jammu & Kashmir Industries Ltd., Srinagar—Anantnag-Jammu & Kashmir)—Apple Products—10,000 tonnes—(NE)

Shri Chaman Lal. Aligarh Road, Hathras (U.P.)—Uttar Pradesh)—Maize Products—30,000 tonnes—(NU)

Shri A. Kumar, I-70, Kirti Nagar, New Delhi—(Gwalior-Madhya Pradesh)—Maize Products—30,000 tonnes—(NU)

Sh. Sushil Kumar Agarwal C/o M/s Agarwal Automobile Bhagwan Ganj, Sagar (M.)—(Bina-Madhya Pradesh)—Maize Products—30,000 tonnes—(NU)

Shri G. S. Brar, Kothi No. 67, Sector 8-A, Chandigarh—(Jagraon-Punjab)—Maize Products—30,000 tonnes—(NU)

M/s Mahabir Flour Mills, 18, B-1, D.B. Gupta Road, Karol Bagh. New Delhi—(Bulandshahar-U.P.)—Maite Products—30,000 tonnes—(NU)

Sh. Natha Singh Inder Singh, Muni-Ki-Reti, Tehri Garhwal, U.P. Tehrigarhwal U.P.)—Maize Products—30,000 tonnes—(NU)

M/s Assam Agro Industries Development Corporation Ltd., lubari. Guhati-7—(Assam)—Canned Fruit & Vegetable roducts—5750 tonnes—(NU)

Shri Natha Singh, 1, Gole Market, Rishikesh (U.P.)—alwani-Uttar Pradesh)—Maize Products—30,000 tonnes—NU)

Sh. K. Venkataswarulu, Kumar Food Products, Post Box 8, Guntukal-2 (A.P.)—Gooty-Andhra Pradesh)—Maize Pro- ucts—30,000 tonnes—(NU)

M/s Assam Indl. Dev. Corpn. Ltd., Kannachal Road, lpukhuri, Guhati—(Assam)—Maize Products—15,250 tonnes—NU)

Sh. Pentapati Pulla Rao, C/o, Sh. L. Ganga Raju, Pola- ram, West Godavari Distt. Andhra Pradesh. (Visakapatnam-.P.)—Shrimp—700 tonnes; Tuna Labster & Sardine—400 nnes—(NU)

M/s Haryana Maize Products, 401, Akash Deep, Bara- hamba Road, New Delhi—(Hissar-Haryana)—Maize Products—30,000 tonnes—(NU)

Shri Satish Kumar, S/o Sh. Mittarpal Agarwal, The Iall, Opp. S.D.M. House, (Karnal-Haryana)—Maize Products—30,000 tonnes—(NU)

M/s Ganpati Maize Mills 117-A, Kund Villa, Ranjit Nagar olony, Bharntpur-Rajasthan—(Bharatpur-Rajasthan)—Maize roducts—50,000 tonnes—(NU)

M/s Mysore State Agro-Industries Corpn. Ltd. Hebbai, angalore-24—(Paichur-Karnataka)—Protein from Cotton seed—20,000 tonnes—Protein from groundnuts—10,000 tonnes—NU)

M/s Northern Enterprises Corpn. Ltd., 2, Narindra Place, arliament Street, New Delhi—(Gurgaon-Haryana)—High rotein Nutro Biscuits and other varieties—3,000 tonnes—NU)

Vegetable Oils and Vanaspati

M/s Polisetty Somasundram Private Limited, P.B. No. 99, Guntur (A.P.)—Chirala, Andhra Pradesh)—Castor Oil and its ye-products—15,000 tonnes—(NU)

M/s Maddi Lakshmiah & Co. Pvt. Ltd., Post Box No. 18, Guntur (A.P.)—Chirala—(A.P.)—Castor Oil and its bye-roducts—15,000 tonnes—(NU)

M/s Jayant Oil Mills Pvt. Ltd., Uppal, Hyderabad (A.P.) Hyderabad-A.P.)=Castor Oil and its bye-products—20,000 onnes—(NU)

Shri G. Kannappan, (M/s Sri Gobind Oil Mills) 32, Arts ollege Road, Coimbatore-Tamilnadu—(Coimbatore—Tamil Nadu—Cotton seed Oil and its bye-products—24,000 tonnes—NU)

Leather & Leather Goods

Sh. P. Velayudhan, 2-D, Sami Mudali Street, Pariamet, Madras—(Chingleput-Tamilnadu)—Finished Leather from skins—3 lakh nos. (NU)

Glue & Gelatin

M/s Punjab State Indl. Dev. Corpn. Ltd., Chandigarh—Sangrur-Punjab)— Gelatine 7,000 tonnes; Cal. Phosphat (bye-roducts) 8,000 tonnes; Greese 240 tonnes—(NU)

Glass

M/s National Glass Insulators Vallabh Vidhya Nagar, Gujarat—(Anakaleshwar—Gujarat)—Glass Insulators—5,000 NU)

Ceramics

M/s Haryana Refraetories Pvt. Ltd., S-318, Panchshilla Park. New Delhi—(Santhal Pargana-Bihar)—Castable Refractories all types upto 99% Aluminia—5000 tonnes; Plastic Refractories of all types upto 90% Alumina and Basic compositions—3,000 tonnes; Air setting cements Ramming Masses etc.—2,800 tonnes; High Alumia Bricks—7,500 tonnes—(NU)

Timber Products

Shri G. Sivaraman, 55/1, Ballygune, Circular Road, Calcutta—(West Bengal)—Particle Boards made out of jute sticks—9,000 tonnes—(NU)

Industrial Machinery

M/s Giovanola Binny Ltd., Penstock Factory Road, Pallaruthy, Cochin—(Cochin—Kerala)—Pulp and Paper making machinery—6,000 tonnes—(NA)

Licences Revoked or Surrendered

(Information pertains to particular licences only)

(During the week ended June, 1974)

M/s Voltas Ltd., Ballard Estate, Bombay-1—Otto Frames & other Agricultural Implements. (Cancelled)

Letters of Intent Revoked, Cancelled or Withdrawn

(During the week ended June 7, 1974)

(Information pertains to particular letters of intent only)

Shri Mohan M. Shah, Worli, Bombay-18 (Andhra Pradesh)—Electric Typewriters—(Cancelled)

Licences Issued

(During the week ended June 15, 1974)

Metallurgical Industries

M/s Partap Steel Rolling Mills Pvt. Ltd., Plot No. 4, Sector-4, 21/3 Mathura Road, Ballabhagarh.—(Ballabhagarh-Haryana)—Mild Steel Ingots—21,500 tonnes—(COB)

M/s Rathi Ispat Ltd., F. 7-A, Hauz Khas Enclave, New Delhi.—(Ghaziabad-U.P.)—Mild Steel Ingots—40,000 tonnes—(COB)

M/s Parasratika Commercial Co. (P) Ltd., 135, Canning Street, Calcutta.—(West Bengal)—Steel Standard Wire Fancing Wire—1000 tonnes—(ES)—Steel Wire Hope—1000 tonnes—(NA)

M/s Indoswe Engineers Pvt. Ltd., 5, Bund Garden Road, Poona.—(Poona-Maharashtra)—Copper and Copper alloys Pipes & tubes (ordinary)—400 tonnes.—(NA)

Chemicals (other than Fertilisers:)

M/s Goa Pesticides (P) Ltd., Goa.—(Marguga-Goa)—Endrin Aldrin Hindane—86 tonnes—(COB)

M/s Mettur Chemical & Indl. Corpn. Ltd., Salem Distt. Tamilnadu.—(Mettur Dam-Tamil Nadu)—Caustic Soda—52,700 tonnes—(SE)

Dyestuffs

M/s Indian Dyestuff Industries Ltd. Mafatla Centre Nariman Point, Bombay-1 (BR)—(Thana-Maharashtra)—Dyes for Arcylic Fibres—200 tonnes.—(NA)

Textiles

M/s The Aurangabad Mills Ltd. Aurangabad District, (Maharashtra) - (Aurangabad-Maharashtra)—Cotton Yarn—21,000 spindles Cotton Cloth—300 looms tonns;—(SE)

M/s Annamalai Cotton Mills Private Limited, Gajjelnaickenoatty, P.O. Salem Taluk, Salem District, Tamilnadu.—(Salem Distt.-Tamilnadu)—Cotton Yarn—12,500 spindles—(SE)

M/s The Ichalkaranji Co-op Spinning Mills Ltd., Ichalkaranjl, Hawa Mahal Bunglow Road, Ichalkaranji, Distt. Kolhapur. (Maharashtra)—(Kolhapur Disst. Maharashtra)—Cotton Yarn—25,000 spindles—(NU)

Paper & Pulp

Shri Arun Kumar Khemka, 4-Govt. Place North (9th Floor) Calcutta-1 (West Bengal)—(Bankura Distt. W. Bengal)—Kraft Paper—10,000 tonnes—(NU)

Sugar

M/s L.H. Sugar Factories & Oil Mills (P) Ltd., Kashipur, Nainital, Uttar Pradesh—(Nainital-Uttar Pradesh)—Sugar—2,500 tonnes—(SE)

Leather & Leather Goods

M/s N.M. Zacksiah & Co. 4, V.V. Koil Street, Madras-[illegible]—(Ambuthur. North Arcot Distt. Tamilnadu)—Finished leather from cow and buffalow hides 81,000 Nos. Finished leather from goat & sheep skins—4,500 Nos—(COB)

Letters of Intent

(During the week ended June 15, 1974)

Metallurgical Industries (Ferrous)

M/s The Punjab State Indl. Dev. Corpn. Sector-17-A Chandigarh—(Ludhiana-Punjab)—Mild Steel/High Carbon/Low Alloy Cold Rolled Steel Strips—10,000 tonnes.—(NU)

Shri O.P. Kajaria, 19 Ballygunge Park, Calcutta-19—(Tarapur-Maharashtra)—Alloy Steel Castings—500 tonnes.—(NU)

M/s Vijayshree Commercial (Private) Ltd., 4, India Exchange Place, Calcutta-1.—(Howrah-West Bengal)—Steel forgings including endeavers flanges and throwers—2,400 tonnes.—(NU)

M/s Anil Steel Industries Ltd., 25, Ganesh Chandra Avenue, Calcutta-13.—(Jaipur-Rajasthan)—Mild Steel/High Carbon/Low Alloy Cold Rolled Steel Strips—10,000 tonnes.—(NU)

Transportation

M/s The Bihar State Indl. Dev. Corpn. Ltd., Bandar Bagicha, Patna-1—(Bihar)—Scooters—30,000 Nos.—(NU)

M/s Automobile Products of India Limited, L.B. Shastri Marg, Bhandup, Bombay-78-NB—(Bhandup-Bombay-Mah.)—Three-wheelers—15,000 Nos.—(SE)

Industrial Machinery

M/s Lakshmi Machine Works Ltd., Perianaickonpalayam S.R.K.V. Post, Coimbatore—(Coimbatore-Tamilnadu)—Combors 120 Nos.—(SE)

Chemicals (Other than Fertilisers)

M/s Devidayal (Sales) Pvt. Ltd., Gupta Mills Estate, Reay Road, Bombay-10—(Bombay-Maharashtra)—Dimethoate Techaical—250 tonnes—(NA)

M/s Hard Castic & Waud Mfg. Co. Limited, Alice Building, Dr. Dadabhai Naoroji Rd., Bombay.—(Maharashtra)—Powder Paint—200 tonnes.—(NA)

Shri M.L. Bhagat, 718/1, Block 'P' New Alipore Calcutta-53—(West Bengal)—Tartaric Acid—600 tonnes—(NU)

M/s Sudarshan Chemical Industries (P) Ltd., Sangem Bridge, 162, Wellesley Road, Poona-1—(Poona-Maharashtra)—Pearl Essences—120 tonnes.—(NA)

Shri Jayant Dalal, 12, Balvodera Court, 148, Maharishi Karve Rd. Bombay-20—(Bareilly-U.P.)—Cresols-2,000 tonnes Cresols Derivatives—50 tonnes.—(NU)

The Managing Director M/s The Kerala Minerals & Metals Limited, Quilon (Kerala)—(Quilon Distt. Kerala)—Titanium Dioxide—48,000 tonnes—(NA)

M/s East Anglia Plastics (India) Ltd., 3, Camac Street, Calcutta-16—(Tarapur-Maharashtra)—Dimethyle Formamide—2,250 tonnes.—(NU)

M/s Delhi Cloth & Gen. Mills Co. Ltd., Naaz Bldg, Jha dewalan New Delhi-55—(Delhi)—Sodium Tripoly-phosphate 20,000 tonnes; Sodium Hexameta Phosphate—2000 tonne Other Sodium Phosphate—5,000 tonnes.—(NA)

Drugs and Pharmaceuticals

M/s Chemical Indl. & Pharmaceuticals Laboratorics Lt 289, Bellases Road, Byculla-Bombay.—(Maharashtra)—Metr nidazole—12 tonnes—(NA)

M/s Hoechst Pharmaceuticals Ltd., Dugal House, Backba Reclamation, Post Box No. 11123, Bombay-20—(Maharashtr —Glybenclamide—200 Kgs Phenylene dilsothio-Cyanatc—3 tonnes Sodium Salt of N-4 Methyl benzene Sulfonyle Carbami acid-methedy-ethylester—2 tonnes Piperidine Ethyl Chlori HOl.—1 tonne—(NA)

Textiles

Shri Madhusudan Mansukhlal Sanghavi. M/s Industria Fastners, 41, Jupiter Apartment, Anneaty Road, Bombay-26—(Dadra and Nagar Havelli)—Cotton Narrow Tapes—7.5 millio meters—(NU)

Paper & Pulp

Shri O.P. Goel. 35, Nizamuddin East, New Delhi-13—(Madhya Pradesh)—Wrapping & Packing papers—3,300 tonne —(NU)

M/s Andhra Pradesh Indl. Dev. Corpn. Ltd.. B-1-74, Fate Maidan Rd, Post Box No. 13 Hyderabad-4—(Warangal Dist A.P.)—Rayon Grade Pulp—26,250 tonnes.(NU)

Shri O.N. Chopra, E-437, Greater Kailash-II New Delhi-4 (Bulandshahr-Uttar Pradesh)—Corrugating medium—5,000 tonnes—(NU)

Shri G.P. Goyal 3/5, Asaf Ali Rd., New Delhi—(Himacha Pradesh)—Wrapping & Packing paper—3,300 tonnes.—(NU)

M/s S.B.B.P. Kajaria 48, Biplabi Rash Behari Basu Road Calcutta-1—(Nadla-West Bengal)—Corrugated Medium—5,00 tonnes—(NU)

Vegetable Oils & Vanaspati

Shri Ved Prakash Agarwal, 169, Golf Links, New Delhi-3—(Maharashtra)—Cotton seed edible oil by expellor process an by solvent extraction process—30,000 tonnes.—(NU)

Cement and Gypsum Products

M/s Birla Jute Mfg. Company Limited, UCO Bank Building 4th Floor, Parliament Street, New Delhi—(Patratu-Bihar)—Cement clinkar—3,50,000 tonnes—(NU)

Licences Issued

(During the week ended June 22, 1974)

Metalluagical Industries (Ferrous)

M/s Dewan Chand Steel Ltd., 24, Bara Khamba Road, New Delhi—(Alwar-Rajasthan)—Mild Steel Ingots Electrode quality carbon steels. Forgings quality carbon steels, Cold heading quality carbon steels Hardening and Tempering quality carbon steels Carbon, Carbon-Manganese and Silico Manganese qualities of spring steels. Carbon Tools Steels. Case Hardening quality carbon steels. Free cutting quality carbon sulphur steels-Combined capacity of—10,500 tonnes.—(COB)

M/s Eutectice Welding Alloys of India Ltd,, Savie Vihar Road, P.B. No. 8983, Powai,—(Powai-Bombay-Mah.)—Low Temperature welding Electrodes & Welding Rods.—1.33 running Meters; Welding Torches & Accessories—6,000 Nos; Fluxes—2 tonnes; Low Temperature Welding-Alloys (Powders)—100 Kgs.—(COB)

M/s The Mysore Kirloskar Ltd., P.O. Yantrapur, Harihar. (Distt. Dharwar-Karnataka)—Cast Iron Castings—1,660 tonnes. (COB)

M/s Ishwar Industries Ltd., P.O. Ishwar Nagar, New Delhi.

-(Jabalpur-Madhya Pradeah)—Mild Steel Ingots. Electrode uality carbon steels. Forging quality carbon steels Cold head- g quality carbon steels. Hardening and Tempering quality arbon steels. Carbon, Carbon Manganese & Silico Manga- ese. qualities of spring steels Carbon Tool Steels. Case Hardening quality carbon steels. Free cutting quality carbon ulphur steels—9,000 tonnes.—(COB)

Maj. Gen. Rajinder Singh Sparrow Doaba Iron & Steel Co. (Pvt) Ltd., G.T. Road, Jullundur City.—(Hoshiarpur Distt Punjab)—Mild steel ingots. Electrode quality carbon steels. Forging quality carbon steels. Cold heading quality carbon steels. Hardening and Tempering quality carbon steels. Carbon, Carbon-Manganese & Silico Manganese qualities of spring steels. Carbon Tool Steel. Case Hardening quality carbon steels. Free cutting quality carbon sulphur steels—,000 tonnes.—(COB)

Shri Narender Kumar Jain, (M/s Prabhat Steels Pvt. Ltd.,) 90 Civil Lines (North) Muzaffarnagar.—(Kota-Rajasthan—Mild Steel Ingots. Electrode quality carbon steels. Forging quality carbon steels. Cold heading quality carbon steels. Hardening and tempering quality carbon steels. Carbon Carbon-Manganese and Silico Manganese qualities of spring steels. Carbon Tool Steel. Case Hardening quality carbon steels. Free cutting quality carbon sulphur steels.—9,000 tonnes.—(COB)

M/s Deepak Insulated Cable Corpn. Ltd., 4th Floor, 1-Vidhana Veedhi, Bangalore-1—(Bangalore-Karnataka)—Winding Wires 42 SWG and thinner—50 tonnes.—(NA)

Electrical Equipment

Shri Vijay Krishan, E-44, Greater Kailash, New Delhi-48—(Distt. Bulandshahr-U.P.)—Electrolytic Capacitors—5 million Nos.—(NU)

Shri Krishna Kumar Bhargawa, 10/14 Shamset Street, Bombay-2—(Bangalore-Karnataka)—Taper Recorder Mechanism/Deck—1,00,000 Nos.—(NU)

M/s Andrew Yule & Co. Ltd., Yule House, 8, Clive Row, Calcutta Road.—(Calcutta-West Bengal)—Distribution Boards (including small board boxes—2,364 Nos. p. a; Motor Control Centre Penels—191 Nos. p.a; Metering Kiosks—34 Nos. p.a.—(COB)

Industrial Machinery

M/s Voltas Limited., 19, Graham Road, Ballard Estate, Bombay-1—(Bombay-Maharashtra)—Centrifugal Packaged Chillers—20 Nos. Refrigeration equipment for transport—100. Nos. Plate Freezers.—30 Nos.—(NA)

M/s Hercules Hoists Ltd., Minerva Indl. Estate, L.B, Shastri Marg, Mulund (West), Bombay.—(Bombay-Maharashtra)—Chain Pulley Blocks—2,200 Nos. Electric Hoists—500 nos. Trolleys (Travelling) 1,200 nos. Ratchet Hoists—90 nos. (COB)

Machine Tools

M/s Veljan Hydrair Pvt. Ltd., Balanagar, Hyderabad-37—(Vijawada-Andhra Pradesh)—Hydraulic Equipment such as pumps, Motors, Valves, Filteration systems, Fluid connecting systems, Actuating machanisms, Intensifiers accumulators servo machanisms Fluid sealing systems—1 crore only—(NU)

Engineering Industry

M/s Centron Industrial Alliance Limited., Indl. Assurance Bldg., Church Gate, Bombay.—(Aurangabad Distt. Mah.)—Safety Razor Blades—250 million Nos.—(SE)

Chemicals

M/s Industrial Oxygen Co. (P) Ltd., 38, (A) Vadgaon Sheri, off Nagar Road, Poona-14—(Ghazibad-Uttar Pradesh)—Oxygen Gases—10,00,000 cubic metres; Acetylene Gases—1,00,000 cubic metres—(NU)

Sh. Naveen Chand Swiney, D-3/66, Safdarjung Enclave, New Delhi.—(Ghaziabad-Uttar Pradesh)—Oxygen Gas—0.45 mill. cub. Metres; Acetylene Gas—0.10 mill. cub. metres—(NU)

M/s Standard Mills Co. Ltd., Chemical Division, Mafatlal House, Backbay Reclamation, Bombay-20—(Thana-Maharashtra—Hydrogen gas—232.50 mill, cub.metres.—(NA)

M/s Kusum Products Ltd., Rishra, Hooghly District, West Bengal—(Rishra-Hooghly Distt. West Bengal)—Synthetic Detergents—10,000 tonnes.—(SE)

M/s Bayer (India) Ltd., Express Towers, Nariman Point Bombay-1 (B.R.)—(Thana-Maharashtra)—Rubber Chemicals—6665 tonnes. and 2460 tonnes as intermediate—(SE)

M/s Basant Plasto Chemicals (P) Ltd., C-142, Industrial Area No. 1. Bulandshahar Road, Ghaziabad-(U.P.)—(Ghaziabad-U.P.)—Lead Stabiliser—200 tonnes; Liquid Barium Cadmium—400 tonnes; Barium Cadmium Zinc Complex Stabilisers 300 tonnes; Solid Barium Cadmium Complex Stablizers—100 tonnes—(N U)

M/s Amar Dye-Chem. Ltd., Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-16—(Bombay-Maharashtra)—Rubber Chemicals—2400 tonnes. (NU)

Drugs and Pharmaceuticals

M/s Unichem Laboratories Ltd., 4-6 Jogeshwari Estate Jogeshwari (West) Bombay.—(Bombay-Maharashtra)—1-Ephedrine Hydrochloride including its formulations (tablets & Syrup) of 1-Ephedrine Hydrochloride—50 tonnes.—(NA)

M/s Merck Sharp and Dohme of India Ltd., New India Centre, 17, Cooperage, Bombay-1—(Bhandup-Maharashtra)—Mintezol Suspension—20,000 tonnes.—(NA)

M/s Indian Petrochemicals Corporation Ltd., P. O. Jawahar Nagar, District Baroda.—(Baroda Distt. Gujarat)—Ethylene Glycol—20,000 T.P.A: Polyethylene Glycol—2,400 tonnes p.a: Purified Ethylene Oxide—5000 tonnes p.a.—(NA)

M/s Orient Pharma (P) Ltd., 3, Cathedral Road, Madras-56—(Madras-Tamil Nadu)—A. Tablets Ossopan Binirec Pankreen Aminophylline Sulphadimidine etc—53.38 lakhs: Capsules Orieotin Yollamycin 5.9 lakhs; Injections Epidosin Robuden UD Robuden UV etc—6.7 lakhs—(COB)

Textiles

Sh. Bal Krishan Single Prop. National Agencies Sheerawala Gate, Patiala (Punjab)—(Patiala-Punjab)—Cotton Yarn—25,000 spindles.—(NU)

Sugar

M/s The Nandyal Co-op. Sugars Ltd., Nandyal Distt. Kurnol Andhra Pradesh—Nandyal Distt. Kurnool Andhra Pradesh)—Sugar—1250 tonnes cane crushing capacity per day.—(NU)

Letters of Intent

(During the week endend June 22, [illegible]974)

Metallurgical Industries (Fer[illegible])

Sh. L.N. Mittal. 24, Alipur Road, Calcutta-27—(Haryana)—Cast Steel Solid Rolls—1,500 tonnes; Cast Iron Solid Rolls—1,500 tonnes; Cast Iron Hollow Rolls—2,000 tonnes.—(NU)

Sh. N.K. Mukherjee 7, Wellsely Place Calcutta.—(West Bengal)—High Tensile Fastners—30,000 tonnes.—(NU)

Electrical Equipment

M/s Cutler Hammer India Ltd., 20/4 Muthura Road, Farida bad-II—Distt. Gurgaon-Haryana)—Lifting Magnets—200 nos; Master Controllers—500 nos.—(NU)

Sh. Shiv Devinder Singh 1, Nehal Bagh, Patiala-Punjab—

(Patiala-Punjab)—Metal Oxide Film Resistors and Carbon Film Resistors—30 million nos.—(NU)

Sh. V. Ramaswamy, 17, Veerannan St. Tiruvallur (Post) Chingleput Distt.—(Vellor-Tamilnadu)—Metal Oxide Film-Resistors—5 million nos. Metal Film Resistors—3 million nos. Carbon Film Resistors—4 million nos. Carbon Track Potentiometers—1 million nos.—(NU)

Shri Y. K. Agarwal, Lal-Bazar, P.O. Jharia (Bihar)—(Bihar)—Potentiomenters for entertainment field—1 mill. nos; Miniature Wire Wound trimming potentiometers (Commercial)—0.5 lakhs; Miniature Wire Wound trimming potentiometers (Military)—0.5 lakhs.—(NU)

Sh. Suresh S. Mahajan Hybrids. 35, Narvang Peddar Rd. Bombay-26—(EPZ-Santa Cruz)—Thin Film hybrid micer-circuits—196,300 nos.—(NU)

Transportation

Managing-Director, M/s J.M.A. Industries (Pvt) Ltd., N-17, Panch Shila Park, New Delhi—(Gurgaon-Haryana)—Head Lamp—2.5 lakh nos.—(SE)

Shri Surjit Singh Sahni, W-65, Greater Kailash, New Delhi—(Ballabhgarh-Haryana)—Commutators—0.6 million nos.—(NU)

M/s Avery Cycle Ind. (P) Ltd., G. T. Road, Miller Ganj, Ludhiana—(Chandigarh)—Bicycle Rims—1.8 million nos.—(SE)

Industrial Machinery

M/s Cutler Hammer India Ltd., 20/4, Mathura Road, Faridabad-II—(Gurgaon-Haryana)—Newspaper Control & Batching equipment 20 nos.—(NA)

M/s R.M.T. Drill (P) Ltd., Private Indl. Estate, Industrial Estate Post, Coimbatore-21—(Coimbatore-Tamilnadu)—Water weill rigs & Blast Hole Rigs—100 Nos. Accessories for both type of Drills—Rs 250 lakhs; Allied products—Rs 250 lakhs—(NA)

Shri Davinder Singh, K-30, Jangpura Extn. New Delhi—(Haryana)—Loose Rollers—5 lakh nos. Rollar Bushes—25 lakh nos. Needle Roller Bearings—2.5 lakh nos.—(NU)

Chemicals

M/s HICO Products Pvt. Ltd., 771, Mogal Lane, Mahim, Bombay-16—(Thana-Maharashtra)—Alkyl Phenols—600 tonnes Anti-oxidants—600 tonnes.(NA)

M/s Hindustan Copper Ltd., Industry House, 10, Camac Street, Calcutta-17—(Khetri Nagar-Rajasthan)—Synthetic Cryolite—7,000 tonnes Active Silica (by product)—2200 tonnes.—(NA)

M/s Chemicoat Ltd., Kalali Road, Atladara P. O. Baroda District—(Baroda-Gujarat)—Metallised Film and Metallic Yarn—200 tonnes.—(SE)

M/s Garware Plastics Pvt. Ltd., 50A, Central Salsette Road, Eastren Express Highway, Ville Parle, Bombay—(Maharashtra)—Metalised Film and Metallic Yarn—100 tonnes.—(NA)

M/s Sasme Co-op. Society Ltd., Surat-Gujarat—(Surat-(Gujarat)—Metallic Yarn and Metallised Film—200 tonnes.—(NU)

M/s Chandi Prasad Bhartia 23/24, Radha Bazar St. Calcutta-1—(West Bengal)—Rigid Polyurethane Foam laminates—1.5 million sq. metres.—(NU)

M/s Bihar State Indl. Dev. Corpn. Ltd., Punaichak, Patna—(Bihar)—Soda Ash—66,000 tonnes. Ammonium Chloride—66,000 tonnes.—(NA)

M/s Travancore Chemicals & Mfg. Co. Ltd., Post Box No. 19 Kalamassari Alwaye-4—(Mettur Dam, Distt. Salem Tamilnadu)—Barium Carbonate—3,000 tonnes. Sodium Sulphi (by-product)—1,600 tonnes. Barium Nitrate (New Article) (SE)

Drugs & Pharmaceuticals

M/s Chemical Industrial & Pharmaceutical Labs. Ltd., 2 Bellasis Rd. Byculla-Bombay-8—(Maharashtra)—Diazepan-7 Kgs.—(NA)

M/s Themie Chemicals Ltd., Vapi Indl. Esate Vapi-Gujar —(Vapi-Gujarat)—Chloroquin Diphosphate—48 tonnes.—(N

M/s Themis Chemicals Ltd., Vapi Indl. Area, Vapi-Guja —(Gujarat)—Prothionamide—2 tonnes Ethionamide—8 tonn Practolol—5 tonnes.—(NA)

Textiles

M/s Kothari (Madras) Ltd., "Kothari Buildings" 2 Nungambakkam High Rd. Madras-34—(Coimbatore-Tam nadu)—Knitted Fabrics—4 warp knitting machines (to b worked on Cotton Yarn—(NA)

M/s The Ahmedabad Cotton Mfg. Co. Ltd., Outside Saran pur Gate, Ahmedabad-2—(Ahmedabad-Gujarat)—Knitt Fabrics—4 warp knitting machines (to be worked on Cott Yarn only)—(NA)

M/s The Rustom Jehangir Vakil Mills Co. Ltd., Post B No. 131 Dudheshwar Road, Ahmedabad-1—(Ahmedaba Gujarat)—Knitted Fabrics—4 warp knitting machines (to b worked on Cotton-Yarn and man made fibre)—(SE)

Managing Director, The Meghalaya Indl. Dev. Corpn. Lt Meghalaya addl. Sectt. Bldg, Room No. 33, Shillong-1-(Meghalaya)—Jute Sacking—14,304 tonnes.—(NA)

Shri Sorab Mehta, Brach Candy House, Warden Roa Bombay-26—(Goa)—Cotton Jean Cloth—32,800 spindle Cotton Denim Cloth—528 looms—(NU)

M/s Assam Indl. Dev. Corpn. Ltd., Road Transport Bld Shillong—(Darrang-Assam)—Sacking & Hessian—12,500 tonne —(NU)

Paper & Pulp

Shri Ramesh Kumar Biharilal Maheswari, Plot No. 39 G.I.D.C. Indl. Township, Silvassa Road, Distt. Bulsar, Vapi—(Balaghat, Bilaspur Madhya Pradesh)—Writing & Printin paper—30,000 tonnes. Kraft paper & Boards—10,000 tonne —(NU)

Change in Names of Owners or Undertakings

(During the week ended June 22, 1974)

(Information pertains to particular licences only)

From Madras Wire Products to Madras Wire Products Ltd

From M/s Cochin State Power & Light Corpn. Ltd.—t M/s KAR Valves Ltd.

Letters of Intent Revoked, Cancelled or Withdrawn

(During the week ended June 22, 1974)

(Information pertains to particular letters of intent only)

M/s Super Tubes (P) Ltd., D-20, Connaught Place, Ne Delhi-1—Calcium Carbide. (cancelled)

Sh. B. N. Bhaskar, Chairman, The Ishwar Industries Ltd. Ishwar Nagar, N. Delhi—(Rajasthan)—Cement. (Lapsed)

Sh. V. T. Magadi, The Nagargali Cement Company Ltd. Vidyanagar, Hubli-21 (Karnataka)—(Karnataka)—Portlan Cement. (Lapsed)

M/s Ashoka Cement Ltd., Dalmianagar, (Bihar)—(Wes Bengal)—Portland blast furnace slag cement. (Lapsed)

Licences Issued

(During the week ended June 29, 1974)

Metallurgical Industries (Ferrous)

M/s Indian Tube Mills & Metal Industries (P) Ltd., 126, arayan Dhuru Street, Bombay-3—(Vikhroli-Maharashtra)—right Bars—18,000 tonnes. —(SE)

M/s R. Sen & Company Metal Division, 13, Camac Street, alcutta.—(24 Parganas-W. Bengal)—Ferro Titanium, Ferro lolybedenum, Fe-Sizr Ferro Tungsten, Ferro Vanadium, Ferro oron Lc. Fe Mn.—130 tonnes.—(COB)

M/s Electric Control Gear (P) Ltd., Metal Devision. New otton Mills No. 1 Compound, Kankaria Rd. Ahmedabad.—hmedabad-Gujarat)—Ferro Titanium, Ferro Molybdenum, e Sizr, Ferro Tungsten, Ferro Vanadium, Ferro Boron Lc Fe-In.—210 tonnes—(COB)

Administrative Officer, M/s Sakhti Pipes Ltd., Plot No. 6 oes Garden Madras-86—(Pollachi-Tamilnadu)—Cast Iron pun Pipes—50,000 tonnes—(SE)

M/s Poysha Indl. Co. Ltd., Traicon House Dr. E. Moses oad, Bombay-1—(West Bengal)—CTS Cans, General line ontainers and Closures Plain and Lithographed—30 million os.—(NU)

M/s Poysha Indl. Co. Ltd., Tiecieon House Dr. E. Moses oad, Bombay-11 BC.—(Tamilnadu)—OTS Cans, General Line ontainers and Closures Plain and Lithographed—30 Million os.—(NU)

M/s Mehra Ferro Alloys Kashmir Road, P.O. Verka Amritr (Punjab—(Verka-Amritsar-Punjab)—Ferro Titanium Ferro Iolybdenum Fe Sizr Ferro Tungsten Ferro Vanadium Ferro oron Lc Fe-Mn—200 tonnes—(COB)

Sh. R.N. Khanna, 11, Shiv Sadan Marine Drive, Bombay-0—(Ratlam-Madhya Pradesh)—M.S. Ingots. Electrode quality arbon steels; Forging quality carbon steels; Cold heading uality carbon steels. Hardening and Tempering quality carbon eels, Carbon, Carbon-Manganese & Silico Manganese qualies of springsteels; Carbon Tool Steels; Case Hardening quaty carbon steels; Free cutting quality carbon sulphur steels—8,000 tonnes—(COB)

M/s Saurashtra Steel Industries Limited, 97-A 2nd wine, aurkhana-Bombay—(Limpdi, Distt Surendernagar-Gujarat)—8,000 tonnes—(COB)

M/s Ram Kishan Ispat Ltd., 32/34, Ashok Chambers, Bomay-9—(Kolaba-Maharashtra)—18,000 tonnes (COB)

M/s Ellora Steels Ltd., 176, Savitri Nagar, New Delhi-17—Aurangabad-Maharashtra)—M.S. Ingots Electrode quality caron steels Forging quality carbon steels; Cold heading quality arbon steels. Hardening and tempering quality earbon steels; arbon,Carbon-Manganese and Silico Manganese and qualities f spring steels; Carbon tool steels; Case Hardening quality arbon steels; Free cutting quality carbon sulphur steels;—,000 tonnes.—(COB)

M/s Hind Re-rolling Industries, Industrial Estase, Sanat agar, Hyderabad (A.P.)—(Hyderabad-Andhra Pradesh)—I.S. Ingots; Electrode quality carbon steels; Forgings quality arbon steels; Cold heading quality carbon steels; Hardening nd tempering quality carbon steels; Carbon, Carbon-Manunese and Silico-manganese qualities of spring steels; Carbon ools steels; Case hardening quality carbon steels; Free cutting uality carbon sulphur steels;—18,000 tonnes.—(COB)

M/s Jalgaon-Steels Pvt. Ltd., P.B. No. 63 153, Palan-Peth, algaon (Maharashtra)—(Jalgaon-Maharashtra)—M.S. Ingots; lectrode quality carbon steels; Forgings-quality carbon steels; old heading quality carbon steels: Hardening & tempering uality carbon steels; Carbon, carbon-manganese and silico manganese qualities of springs steels; Carbon tools steels; Case hardending quality carbon steels; Free cutting quality carbon sulphur steels—9,000 tonnes.—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Jayant Metal Mfg. Co., 16-Sayani Road, Bombay-25—(Bombay-Maharashtra)Braided Copper Wires/Strips—90 tonnes. —(NA)

Prime Movers

M/s Kirloskar Kisan Equipment Ltd., Karve Road, Kothrud Poona-29—(Poona-Maharashtra)—Petrol Engines (upto 300 cc) —50,000 Nos. Flywheel Magnetos 50,000 Nos.—(COB)

Electrical Equipment

M/s Shyam Electricals Pvt. Ltd., Haji Adam Mansion, Homji Street, Bombay-1.—(Bombay-Maharashtra)—Power & Distribution Transformers upto 5,000 KVA/33 KV—1,03,500 KVA. Special Purpose Transformers-such as Furnace Auto & Welding Transformers—500 KVA. Welding Rectifiers upto 600 amps. —200 KV. Air Break Switches 50 Nos. (i) Current Transformers; (ii) Potential Transformers upto 1500 V/150 V.—15 nos.—(COB)

M/s Metal Lamp Caps India (P) Ltd., 2, Murphy Road, Post Bag No. 876, Ulsoor, Bangalore-8—(Bangalore-Karnataka)—Standard Boyonet Caps 85, million nos. Caps for Miniature Lamps-20 Million nos. Caps for Fluro scent lamps—15 million Nos.—(SE)

Mechanical & Engineering

M/s Garware Plastics Pvt. Ltd., 50-A, Central Salesette Road, Western Express-Highway Rd, Ville Parle (East) Bombay-57—(Bombay-Maharashtra)—Metallised Films from PVC & Cellulose Acetate—200 tonnes.—(NA)

Chemicals

M/s Sahyadri Dyestuffs & Chemicals Pvt. Ltd. Mafetlal House, Backbay Reclamation, Bombay-20—(Bombay-Maharashtra)—Dyes for Acrylic Fibre—100 tonnes.—(NA)

M/s Mindia Chemicals Ltd. Vakelrold House, 11, Sprott Road, Ballard Estate, Post Box No. 133. Bombay-1—(Thana-Maharashtra)—Rubber Chemicals—3,3000 tonnes. Intermediates—3,400 tonnes.—(NU)

M/s Rathi Gases Ltd., 3-A Vandhna, 11, Tolstoy Marg, New Delhi.—(Ghaziabad-Uttar Pradesh)—Oxygen Gas—0.9 million cubic metres Dissolved Acetylene Gas—0.2 million cubic metres —(COB)

M/s Rajasthan State Indl. & Min. Dev. Corpn. Ltd., 100, Jawahar Lal Nehru Marg, Jaipur, (Raj)—(Kota-Rajasthan)—Calcium Carbide—14,850 tonnes.—(NU)

M/s Hico Products Pvt. Ltd., Mogal Lane, P.N. No. 6467, Mahin Bombay-16—(Thana-Maharashtra)—Fatty Alcohol Chliorides—160 tonnes. Fatty amines—25 tonnes. Amine Oxides —100 tonnes (NA)

Textiles

Sh. G.D. Jhunjhuwala, Gulab Niwas, M.I. Road, Jaipur-1 (Alwar-Rajasthan)—Cotton Yarn—25,000 Spindles.—(NU)

M/s Madhya Pradesh State Textiles Corpn. 35, Civil-Lines, Bhopal (M.P.)—(Madhya Pradesh)—Cotton Yarn—25,000 Spindles.—(NU)

M/s Mohini Mills Ltd., 22, Biplabi Rasbehari Basu Road, (Canning Street) Calcutta-4—(Calcutta-West Bengal)—Cotton Cloth—586 looms—(SE)

M/s Saurashtra Co-op Spng. Mills Ltd., Limbdi, Distt. Surendernagar, Gujarat.—(Gujarat)—Cotton Yarn—35,000 spindles.—(SE)

M/s Madhya Pradesh State Textile Corpn. 35, Civil Lines, Bhopal (M.P.)—(Madhya Pradesh)—Cotton Yarn—25,000 Spindles.—(NU)

M/s Madhya Pradesh State Textile Corpn, 35, Civil-Lines, Bhopal (M.P.)—(Madhya Pradesh)—Cotton Yarn—25,000 Spindles—(NU)

The Managing Director, National Textile Corpn. (Gaya Cotton & Jule Mills Unit), Chhotki, Nawadoh, Gaya Bihar.—(Gaya-Bihar)—Cotton Yarn—19,884 Spindles. Cotton Cloth—536 looms.—(NU)

M/s Sree Akkamamba Textiles Ltd., Post Box No. 9 Venkatarayapuram, Tanuku-A.P.—(Tanuku, Distt. West Godavari-Andhra Pradesh)—Cotton Cloth—300 looms of indigenous make—(NA)

M/s Modella Woolens Ltd., 4-C, Vulcan Insurance Buldg, Veer Nariman Road, Bombay-20—(Thana-Maharashtra)—Shoddy Blankets—300 looms—(SE)

M/s Modella Textile Industries Pvt. Ltd., 4-C, Vulcah Insurance Bldg, Veer Nariman Road, Bombay-20—(Thana-Maharashtra)—Shoddy Blankets—12 indigenous looms—(NU)

Sugar

M/s The Nizam Sugar Factory Ltd., Post Box No. 1 Khairatabad.—Hyderabad (A.P.)—(Kadam Adiladad Distt. Andhra Pradesh)—Sugar—125 tonnes cane crushing capacity per day.—(NU)

Fermentation Industries

Sh. K.R. Natarajan, Pioneer Breweries Ltd., 8-A, Venkatesa Colony, Pollachi, Coimbatore Tamilnadu—(Dharampuri Distt. Tamilnadu)—Beer—50,000 B.L.—(COB)

M/s N. Munuswamy Mudaliar & R-Prabhu 'Sunder Mahal' 28, Jeypore Nagar, Madras.—(Chingleput Distt. Tamilnadu)—Beer—30,000 H.L.—(COB)

Food Processing Industries

Sh. Warana Sahakari Dudh Ut-padak Prakriya Sangh Ltd., Warananagar Tehashil Panhala Distt. Kolhapur—(Kolhapur-Maharashtra)—Skim/Whole Milk Powder—2,000 tonnes—(NU)

Rubber Goods

M/s India Cable Co. Ltd. 9, Hare Street, Calcutta-1.—(Tatanagar-Bihar)—Rerubberisation of industrial rolls—400 pieces. Insulating sheeting & semi-conducting repairing tapes—32 tonnes. Platen Shells for types writers—50,000 nos.—(NA)

Cement and Gypsum Products

M/s Andhra Cement Co. Ltd., 38, Mount Road, Madras-6—(Vijayawada, Distt. Krishna Andhra Pradesh)—Pozzolana Cement—1.0 lakh tonnes.—(SE)

M/s The Andhra Cement Co. Ltd., 38, Mount Road, Madras—(Benakailu, Distt. Khammam-Andhra Pradesh)—Portland Cement—6.6 lakh tonnes.—(SE)

M/s Assam Asbestos Ltd., C/o Duflating Tea Estate P.O. Titabar (Jorhat) Assam—(Gauhati-Assam)—Asbestos cement sheets and moulded articles—36,000 tonnes; Asbestos cement pipes (non-pressure variety)—24,000 tonnes,—(NU)

Letters of Intent

(During the week ended June 29, 1974

Metallurgical Industries (Ferrous)

M/s Indian Cable Co. Ltd., 9, Hare Street, Calcutta-1—(Jamshedpur-Bihar)—Finer Gauges of Enamelled wires (42 SWG & thinner)—50 tonnes.—(SE)

M/s Lalit Industries Plot No. 20, Sector No. 2 Kendla Free Trade Zone Gandhidham-Kutch, Gujarat—(Kandla-Gujarat)—Stainless Steel utensils, Hospital, Canteen and Industrial equ ment, Table ware and Cutlery—800 tonnes.—(NU)

Mr. Balwant Singh K. Chhabra, B. K. Chhabra Compou Bulsrai Colony Rd. Vakola Bridge, Santacruz (East) Bo bay-55—(Kandla-Gujarat)—Plain Nuts—45 million nos.; S Locking Nuts—26.7 million nos.—(NU)

M/s Agricultural Discs (India) Ltd., United Bank of In Bldg, 3rd Floor, Sir P. Mehta Road, Bombay—(Mahara tra)—Hot (cross) rolled sheets (average 5 mm thick and 480 700 mm width)—10,000 tonnes.—(NU)

M/s Bharat Pulverising Mills (P) Ltd., "Hexamar Hous Sayani Road, Parel, Bombay-25—(Bombay-Maharashtra) Ferro Vanadium, Ferro Molybdenum and Ferro Tungsten—2 tonnes; Chromium metal—50 tonnes Chromium mangan master alloys—50 tonnes—(NU)

M/s Utkal Ferro Alioys, 4, Khairu Place Calcutta-13 (Sundernagar-Orissa)—Ferro Vanadium Ferro Molybdenu Ferro Tungsten—300 tonnes.—(NU)

M/s Este Auto Castings (P) Ltd., 6, Manekeswari Stre Kilpauk, Madras—(North Arcot-Tamilnadu)—S.G. Ir Castings—2,400 tonnes.—(NU)

M/s S.B.B.P. Kajaria, 48. Biplabi Rash Behari Road, P. No. 929, Calcutta-1—(Nadia-West Bengal)—Steel Castings 2,000 tonnes.—(NU)

M/s Byferd Ltd., M-5, N.D.S.E., Part-II Ring Road, Ne Delhi-49—(Patna-Bihar)—High duty Iron castings—9,000 to nes; Malleable Iron castings—3,000 tonnes—(NU)

M/s Semiecon Pvt. Ltd., Kakad Chambers, 5th Floo 132, Dr. Annie Beasant Rd, Worli-Bombay-18—(Karnataka) Steel & Alloy Castings—600 tonnes.—(NU)

M/s Mysore Iron & Steel Ltd., Bhadravati (Mysore) (Bhadravati-Karnataka)—Wire Rods—60,000 tonnes.—(NA)

M/s Ram Krishan Metal Works (Bombay),-C-33, Wagl Indl. Estate, Thana (Maharashtra)—(Thana-Manarashtra) Forged steel machined flanges, rings, discs and tube sheets 3,600 tonnes; Pipe fittings (elbows, tees, Crosses/Reducers et —500 tonnes.—(NA)

M/s Choksi Tubes Co. (P) Ltd,, Yusuf Buldg. 2nd Floo 43, MG Road, Fort, Bombay—(Maharashtra)—Stainless Ste Tubes of smaller capacity of the following sizes 9 mm to 1 mm O.D. X0.7 mm to 0.9 mm 65 mm to 300 mm O.D. X2 m to 12.7 mm—within existing licensed capacity of 840 tonnes p annum—(SE)

M/s Guest Keen Williams Ltd., 3-A, Shakespeare Sara Calcutta-16—(Bangalore-Karnataka)—Modified Loose Jaws 40 lakh nos.—(SE)

Electrical Equipment

M/s Andhra Pradesh Indl. Dev. Corpn. Ltd., B-I 17, Fate Maidan Road, P.B. No. 13, Hyderabad-A.P.—(Andhra Pr desh)—Power Transformers upto 132-KVA—1,000 M.V.A. (NU)

M/s Prabhat Electronics 195, Palace Upper Orchards Bang lore-6—(Bangalore-Karnataka)—Carbon Film Resistors— million nos.—NU)

Shri R. M. Shah, 3-B, Suresh Colony Swami Vivekanan Rd, Vile Parle-Bombay—(Aurangabad-Maharashtra)—Mi Motors—1 lakh nos.—(NU)

M/s Jaydeep Electronics 195, Sankey Road, Upper Pala Orchards, Bangalore-6—(Bangalore-Karnataka)—Micro-Moto —1 lakh nos.—(NU)

Sh. D.V.S. Raju. C/o Elico Pvt. Ltd., B—17, Industri Estate Sanantnagar-Hyderabad. (Hyderabad-Andhra Pradesh) Professional Grade Switches—2 million nos.—(NU)

M/s Andhra Pradesh State Indl. Corpn Hyderabad-(A.P.)-

yalseema District Andhra Pradesh)—GLS Lamps—7.5 mil-
n nos.—(NU)

M/s West Bengal Indl. Dev. Corpn. 23-A, Netaji Subhas
Calcutta—(West-Bengal)—Hard and Soft Ferrites—50
nes.—(NU)

8h. M.D. Nambiar, Dir, M/s Dynamic Electronics (India)
td., 171, Cambridge Road, Layout, Ulsoor, Bangalore—
rnataka)—H.T. Power Capacitors upto 33 KV—50,000 KVAR
Power Capacitors—30,000 KVAR Medium Frequency
pacitors—20,000 KVAR—(NU)

Sh. S. Krishnamurthy Director, M/s Shreeshyla Electronics
Ltd., Shreeshyla Co-op Indl. Estate, Shreeshyla, Nanakpura
ad—Bangalore-11—(Mangalore-Karnataka)—Glass Epoxy
ass Polyester Paper Epoxy Shenolic Copper Clad and unclad
minates for Electronic Printed Wiring Boards—50,000 sq.
ters—(NU)

Sh. V.M. Seth, C/o Jagat Talkies Distributors, Chandni
owk, P.O. Box No. 1038 Delhi.—(Bulandshahar-Uttar
adesh)—Transistor Sockets—0.3 million nos; I.C. Sockets
million nos; Heat Dissipators 0.2 millions nos; Transistors
I.C. Mounting Pads—0.1 millions nos; Transistors & I. C.
ead Boards—0.01 million nos; Connectors (various types)—
milllion nos; Illuminated Isotat Switches—0.1 million nos.—
U)

M/s Bareilly Electricity Supply Co. Ltd., 19, R. N. Mukher-
Road, P.B. No. 2005 Calcutta-1—(Rai Bareilly-Uttar Pra-
h)—Radio Frequency Connectors D.C. & Low Frequency
nnectors; Power Connectors; Crimping Tools and other
ed products—1.5 million nos. (NA)

M/s Electronics Corpn. of India, Ltd., Indl. Dev. Area,
erlapalli, Hyderabad-4—(Hyderabad-Andhra Pradesh)—
near/Digatal integrated circuits—8 million nos.—(NA)

M/s Cutler Hammer India Ltd., 20/4. Mathura Road.
ridabad-11—(Gurgaon-Haryana)—Explosion Proof switches
d Controls—600 Nos.—(NA)

M/s Rattanshah Electronics (P) Ltd., International House,
S Marg, Vikhroli Bombay—(Bombay-Maharashtra)—
cilloscopes—2,000 Nos.—(NA)

M/s The Aluminium Industries Limited, No 1, Ceramic
ctory Road, Kundara-Kerala—(Alleppey-Kerala)—Protection
ays, Directional Relays; Interposing Relays; Synchronising
ays; Auxiliary Relays Automatic Semaphore Indicators and
lt Locators required in power systems.—Rs. 10 millions.—
A)

M/s Khandelwal Herrmann Electronics Ltd., Bhandup,
mbay-78—(Bombay-Maharashtra)—Selenium rectifiers plates
,00,000 nos. Miniature Selenium Rectifiers—10,00,000 Nos.
SE)

Transportation

M/s Usha Telehoist Ltd., C-2, Friends Colony,New Delhi-14
Gurgaon-Haryana)—Ignition Coils—2,00,000 members.—
A)

The Managing Director, M/s U.P. State Indl. Dev. Corpn.
., 117/420, Udyog Bhavan G.T. Road, P.B. No. 413 Kanpur-
.)—(Uttar Pradesh)—Bus-Body Building of Integral Body
sign—3,000 nos.—(NU)

Industrial Machinery

M/s Krebs & Gie (India) Pvt. Ltd., 3A, Auckland Place,
cutta-17—(West-Bengal)—Mercury Cells—30 Cells of 100
A rating—(NU)

M/s Walchandnagar Industries Ltd., Walchandnagar,
tt. Poona. Mah.—(Poona-Maharashtra)—Nuclear & Chemi-
Machinery—3000 tonnes.—(SE)

M/s Indequip Engg. Ltd., Reid Road, Ahmedabad-2—(Ahmedabad-Gujarat)—Worsted Frames—120 Nos. Speed Frames—36 Nos. Combers—24 nos. High Speed Draw Frames —36 nos.—(NA)

M/s Lipi International 16, Patak Baug, New Path, Poona-30 — (Poona-Maharashtra) — Package/Modular water Tube Boiler upto 40 tonnes per hour capacity for firing fuel other than oil—35 nos. p.a. Boiler & Auxiliaries—Rs. 100 Lakhs.—(NU)

M/s International Combustion (India) Pvt. Ltd., 101, Park Street, Calcutta—(Hooghly-West Bengal)—Bowl Feeder—250 Nos. Vibrator Sercen—380 Nos. Syntorn (V-75) Vibrater—250 Nos. Syntorn (V—200) Vibrator—200 Nos.—(NA)

Engineering Industries

Sh. G. K. Saraf, 24/157, Shakti Nagar, Delhi-7—(Uttar Pradesh)—Forged Hand Tools—2,230 metric tonnes.—(NU)

Sh. Mahender Sekhri, 429, Arun Chambers, Tardeo, Bombay-34—(Poona/Satara/Maharashtra)—Tungsten & Tungsten products—24 tonnes; Drilling bits—5,000 nos; Drilling Roads—1,00,000 nos.—(NU)

M/s Haryana State Indl. Dev. Corpn. Ltd., S.C.O., 4-5, Sector 17-A, Post Box No. 22 Chandigarh-17—(Haryana)—Porged Hand Tools—3,000 metric tonnes.—(NU)

Chemicals

M/s Voltas Ltd., 19, Graham Road, Ballard Estate, P. B. No. 1198, Bombay-1—(Maharashtra)—Phesalone Technical (and its formulations)—1000 tonnes.—(NU)

Dr U.K. Benegal. Mr Santanu Roy, 13, Woodburn Road, Calcutta-20—(Bangalore-Karnataka)—Synthetic wood products —500 tonnes.—(NU)

Drugs and Pharmaceuticals

M/s Chemical, Indl. & Pharmaceuticals Labs. Ltd., 289, Bellais Road, Byculla, Bombay-8—(Bombay-Maharashtra)—Rifamaicin—550 Kg.—(NA)

M/s Haryana Chemical & Allied Industries 7, Narindra Place, Parliament Street, New Delhi-1—(Gurgaon-Haryana)—Salicylic Acid (Mechnical Grade and Iron free)—700 metric tonnes. P.A.S.—400 metric tonnes.—(NU)

M/s Power Cables Pvt. Ltd., 24, Brelvi Syed Abdulla Road, Bombay-1—(Gujart)—Theophylin—20 tonnes. Aminophyllin—20 tonnes. Glyceryl Gauiacolate—2 tonnes. Nitrofurantoin—5 tonnes. Furasolidone—5 tonnes—(NU)

M/s The Chemical Industrial & Pharmaceutical Laboratories Ltd., 289, Beliasis Rd, Byculla-Bombay-8—(Bombay-Maharashtra)—Sodium Cromoglycatc P. B. and Formulations based thereon—200 Kg. in terms of bulk drugs—(NA)

M/s Ciba of India Ltd., 14, J. Tata Road, Bombay-20—(Bombay-Maharashtra)—Sintamil substance and formulations based thereon—310 Kgs. in terms of basic drug—(NA)

M/s Suhrid Geigy Ltd., P. O. Box No. 43, Wadi, Baroda-7 —(uGjarat)—Tanderil Oxphenyl-butazone)—12 tonnes.—(SE)

M/s Burroughs Welcome and Co. (I) PVt. Ltd., 16, Bank Street, Bombay-1—(Bombay-Maharashtra)—Puri-Nethol. Tablets—200,000 Nos—(SE)

M/s The Chemical Indl. & Pharmaceutical Labs. 289, Bellasis Road, Byculla-Bombay—(Bombay-Maharashtra)—Diloxanide Furoate—2.5 tonnes—(NA); Cyclasyn Tablets—within the approved capacity for formulations SE—(NA/SE)

M/s Ranbaxy Laboratories Limited, Okhla New Delhi-20—Mohali-Punjab)—Naldixic—10 tonnes Doxyoylline—2.5 tonnes Diloxamide—24 tonnes and formulation based thereon—(NA)

Textiles

M/s The Sarangpur Cotton Mfg. Co. Ltd., Amrawaldi

Road, Ahmedabad-Gujarat—(Ahmedabad-Gujarat)—Cotton Fabrics—4 warp knitting machines (to be worked on cotton Yarn only—(NA)

M/s Kamala Mills Ltd., 45-47, Bombay Samachar Marg, Bombay-1—(Bombay-Maharashtra)—Kditted Fabrics—4 warp knitting machines (to be worked on cotton yarn and man-made fibre)—(NA)

Paper & Pulp

Shri G.P. Todi, 2, Queens Park, Calcutta-19—(Dhenkanal-Orissa)—Paper board/packaging and wrapping paper—7,500 tonnes—(NU)

Shri Pradyuman Keshavlal Shah, Shah N.H. Estate, Vallabhbhai Patel Rd, Bulsar-Gujarat—(Bulsar-Gujarat)—Fluting Media—5,000 tonnes; Kraft Line, packing & Wrapping Paper —6,000 tonnes—(NU)

M/s Packaging Complex Ltd., AP-III/172 Vapalassery Road, Angamaly, P.O. Kerala—(Alleppy-Kerala)—Paper Boards—15,000 tonnes—(NU)

General Manager, The Mysore Paper Mills Ltd., Dhadravati Paper Town P.O., Southern-Railway—(Shimoga-Karnataka)—Writing &Printing Paper—70,000 tonnes. Pulp—70,000 tonnes—(SE)

Food Processing Industries

M/s Karnataka State Indl, Inv. & Dev. Corpn. Ltd,, 36 Canningham Rd, Bangalore—(Dharwar-Karnataka)—Maize Products—200 tonnes per day in terms of Maize—(NU)

Rubber Goods

M/s Kerala State Co-op Rubber Marketing Federation Ltd., 31/1023, Chittor Road, Cochin-Kerala—(Kerala)—Automobile Tyres—3 lakh nos—Automobile Tubes—3 lakh nos—Automobile flaps—3 lakh nos—(NU)

Leather & Leather Goods

The Industrial Dev. Commissioner. Bihar State Leather Industries Development Corporation (P) Ltd., Patna-Bihar—(Muzaffarpur-Bihar)—Finished Leather—6 lakh nos—(NU)

Ceramics

M/s Petro Carbon & Chemicals Co. Prop. Hindustan Dev. Corporation Ltd., 27, Sir R. N. Mukherjee Road, Calcutta-1—(Midnapur—West Bengal)—Carbon Refractories—4,000 tonnes; Carbon Linings—1,500 tonnes—(NA)

Letters of Intent Revoked, Cancelled or Withdrawn

(During the week ended June 29, 1974)

(Information pertains to particular letters of intent only)

From M/s P.C. Bhandari & Co. (P) Ltd., to M/s Tufted Carpets & Woollen Industries Ltd.,; From Birjhora Roller Flour Mills—to Birjhora Roller Flour Mills Pvt. Ltd.; From M/s J.K. Industries Pvt. Ltd.,—to M/s J.K. Industries Ltd., From M/s Bharat Flour Mills Madras—to M/s Tamil Nadu Flour Mills, Madras.

Change in Names of Owners or Undertakings

(During the week ended June 29, 1974)

(Information pertains to particlar licences only)

Sh. K.R. Dalal, Vasant Villas, Babulnath Road, Bombay-7—(Maharashtra)—Hydraulic equipment (Lapsed)

Sav
wit
grac

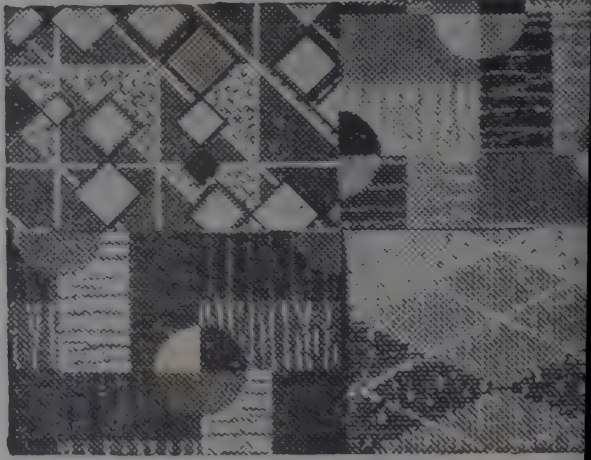
Linoleum floor-coverings are an eco
investment. Linoleum endows your
with a graceful decor. By retain
striking elegance for years, it sav
so much in repair and renovation c
you'll need a whole elephant to
as a piggy-

Stain-proof, easy to clean and p
Linoleum comes in a wide range of c
and designs. Choose

LINOLEU

The versatile floor-covering ■ For better

India Linoleun
P.O. Birlapur, 24 Parganas, West



eastern
ECONOMIST

DECEMBER 13, 1974

\ blow for democracy

Mr Jayaprakash Narayan has certainly been hasty in concluding that parliamentary democracy is dead in our country. Nevertheless, ever since the current session of parliament began, it did seem that
integrity and credibility of parliament could be gravely imperilled. It is indeed
ical that the government of Mrs Indira Gandhi, which has been tinkering and
pering with the constitution on the plea of the sovereignty of parliament, should
e been so largely responsible for bringing parliament to this pass.

Nobody who had listened to Mr Uma Shankar Dikshit's speeches, winding up
debates on the licence scandal in the last session of the two Houses, could have had
honest doubt at all that he did commit the government to placing the findings of the
I inquiry before parliament and taking counsel with it on any further action that
ht have to be taken in the light of those findings. Mr Dikshit certainly was not
aking then in his personal capacity or even merely as a member of parliament. He
speaking very much as a minister of the government replying to the debates on be-
f of the government and in the case of the Rajya Sabha he was also speaking as the
der of the House. It may be that he had exceeded his brief on that occasion or it
ld be that the government had since been having second thoughts. In either case
prime minister could have gone back on the assurances given by her colleague only
he risk of committing contempt of parliament not perhaps in a narrow technical
se but certainly in the essential meaning of parliamentary democracy.

In these circumstances the country has every reason to honour and applaud
se opposition groups and their leaders who so earnestly fought against heavy odds
ompel the government to implement the assurances given to parliament on its be-
. It is true that they had to agree to a compromise, but they did so not so much be-
se a compromise was justified but because they, though not the government, had the
esmanship to realize that a confrontation carried to the bitter end might cause con-
rable damage to the cause of parliamentary democracy. This is not to say that Mr
rarji Desai was in any way wrong in holding out the threat of *satyagraha* on the
r of parliament itself. On the contrary it was his total determination to see that the
ority in the legislature was not oppressed nor the opposition denied its legitimate
ts and prerogatives that forced the prime minister to resile at last from a collision
se. As a result this sorry episode has ended better than it might have, but it is
difficult to resist the feeling that much national time and treasure have been wasted
v because of the government's misguided resistance to the norms of parlia-
ary democracy.

At the time of writing, the Speaker has still to agree to the suggestion from the
sition that he should preside over the proceedings at which the government is to
ent the CBI report and other relevant documents to the leaders of the opposition
heir information and consideration. It may be that he has reason to hesitate to
o, but it is to be hoped that he will get over this hesitation since he is after all the
nate custodian of the rights and privileges not only of the House in the abstract
also the political parties or groups represented in it and indeed of each and every
vidual member thereof. The terms of the compromise, although less than perfectly
n, nevertheless ought to enable the opposition leaders to make use of the inform-
n made available to them for protecting the interest of parliament and the larger
lic interest so clearly involved in the licence scandal. We are using the word
ndal' deliberately because this affair has become a symbol of the corruption that
nning riot in government, administration, politics and public life. It may be
after studying the documents produced before them, the opposition leaders
come to the conclusion that their suspicions about the involvement of ministers
vernment officials were unfounded or they may merely allow that there is
sufficient evidence for finding the suspected or accused parties guilty. In the

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first case the country will have reason to be happy that the grosser suspicions about the government or the administration had turned out to be lacking in substance. In the latter event, a salutary shock will hopefully have been administered to the politicians in office or in public life generally and government officials who may thereby be put on notice that public opinion will hereafter insist resolutely on Caesar's wife being above suspicion. In this view of possibilities, the many days or weeks spent by parliament on the licence scandal may not have been entirely wasted.

There is also the different and equally important issue of the status of the opposition in a parliament dominated by an overwhelming majority constituted by the ruling party. Indeed some might think that this issue is even more fundamental than that of corruption in government or public life which has been highlighted by the import licence scandal. On several occasions in the recent past it seemed as if the prime minister really believed that parliamentary democracy was simply what she thought it should be. Mrs Gandhi has been accused of dictatorial ambitions if not designs but it has always been possible to argue that she has little need of dictatorial powers seeing that, thanks to her massive majority in parliament, she could do as much as she pleases with the government and indeed the politics of the country. This has been said generally in jest, but it is now ceasing to be a joke.

The truly democratic functioning of parliament is never a matter merely of counting heads. The opposition, whatever its number, has the right and responsibility of playing its role effectively in the scheme of checks and balances which gives a genuine democracy its validity and vitality. This is not to say that opposition parties always behave with a greater sense of responsibility to parliamentary institutions than the party in power. It would be even more unrealistic to claim that the opposition has a divine right to exercise a veto on the decisions of the ruling party or its conduct of the government. A party elected to govern, it is quite clear, is meant to govern. At the same time any government which chooses to function for any ength of time in professional disregard of the opposition is bound to cause injury to the authenticity and authority of the legislature as a parliament of all the citizens of the country.

It is a basic concept of demoracy that responsiveness on the part of the ruling party cannot fail to encourage responsibility on the part of the opposition. It may be argued, of course, that the opposition, since it is in a minority in the legislature, can have no stake in the preservation or promotion of a parliamentary democracy which, in the ultimate analysis, is and cannot but be based on the principle of the rule of the majority. It has been alleged against the prime minister that this is in fact both the spirit and the way of her thinking about the opposition groups in the present parliament. Mrs Gandhi certainly cannot afford to act in a manner which may lend plausibility to this charge. Some of her public statements have certainly not been in her favour and it is not too early for her to establish or re-establish her *bona fides*. The people may have voted in large numbers for the candidates of her party in the last general election, but it does not mean that the nation as a whole has authorized her, either directly or indirectly, to act as if she were going to be prime minister for life or her party's absolute rule is coeval with parliamentary democracy in our country. The popular enthusiasm expressed for the 'JP' movement must be warning enough to her and her party that the country may well reach the point of feeling that it may not have any use for parliamentary democracy on her terms.

Engineering exports

OPINIONS MAY differ on whether we can nearly treble our exports of engineering goods to about Rs 600 crores by 1978-79, as implied in the report of Committee on Engineering Exports, headed by Mr Mantosh Sondhi, secretary, department of Heavy Industry, but the general approach recommended by this committee towards stepping up these exports surely will be endorsed widely. If followed energetically, it can yield handsome dividends.

There can be no denying the fact if the balance of payments gap has to be bridged, exports have to be multiplied much faster than has been the case hitherto. No doubt our exports during the first six months of the current financial year recorded an impressive rise of nearly 41.2 per cent over the level during the corresponding period last year — from Rs 1,075 crores to 1,518 crores—but this upsurge has resulted primarily from exports of only a few commodities such as sugar, basmati rice, cement, silver and surplus petroleum products such as naphtha and bitu men. Neither has there been any significant increase in the exports of most other items, nor have we been able to diversify substantially our export pattern during the recent past. In fact, the physical quantum of exports of most of other commodities has gone down and if, value-wise, there has not been a sharp decline in these exports, it is due to the fact that their unit-value has somewhat improved. The role of engineering goods in a breakthrough on the export front cannot be minimised. The global experience suggests that exports of these products can be stepped up markedly through concerted action, which is not always the case with exports of other products—primary, semi-finished or finished.

The committee's recommendations related to all aspects of action regarding exports of engineering goods. Some of the suggestions, of course, would entail significant modifications in the current industrial policy, which in practice at least caters to no insignificant extent for the ideological stance of the ruling party.

In this category fall the committee's recommendations concerning production capacities, particularly in the large-scale sector. Significantly enough, the committee has expressed the view that "no industrial unit can afford to remain stagnant without undermining its viability. A minimal growth is essential both from the point of view of its viability, its competitiveness as also for generation of exportable surpluses at competitive cost. A production growth of five per cent per um up to a ceiling of 25 per cent in a n period in one, two or more steps in sical terms, should be automatically missible to manufacturing units in ain industries".

n view of the above and considering t our industries suffer from many dicaps of raw materials, power and gthy and time-consuming procedures the entire gamut of economic activity, economies of scale of production and n competition from well-established reputed large industries abroad, which e a more advanced technical base, the mmittee has appropriately recommen- that in the interest of stepping up of duction and exports, such considera- ns as concentration of economic power, tection to small-scale industries, etc,. uld not be injected into export policies. 100 per cent export-oriented indust- , the present policy regarding Indian ticipation, the committee has opined, ilarly, should not be insisted upon and n 100 per cent foreign equity should permitted if the export prices of these ts are subjected to government sur- lance.

nother important recommendation in connection is that while considering expansion of units with good export formance to their credit from the minance angle, average exports of past ee years should be deducted from the al production/capacity of a unit. rther, in the case of export-oriented its, any production for export by them xcess of the stipulated minimum should only be freely permitted but also isted by making available the re- red raw materials and other inputs. such cases, the committee thinks, prior vernment approval for a unit to pro- ce more should also not be necessary; should suffice if the unit concerned nply intimates the government in res- t to additional output. The export- ented industries and also those with a od potential for export, it has been ggested, should be accorded a liberal nsideration in matters of foreign colla- rations and import of capital equip- nt. The government should as well nsider working out a suitable formula allowing export investment rebate on vestment for export production on the lines of the development rebate allowed to industrial units till lately.

The committee also desires a pragmatic approach towards the operations of the large industrial units in the interest of ensuring quality exports. Noting that the arrangements for quality control and pre-shipment inspection of the notified engineering products have worked satisfactorily, it has pertinently suggested that the pressure for relaxing quality control and pre-shipment inspection, particularly for some small-scale industries, should be resisted. The committee, of course, has not belittled the role of small-scale industries in the export field. It has expressed satisfaction at the progressively increasing exports of this sector. But it has stressed that further encouragement to small-scale industries need not be through curbing others but by alleviating their basic difficulties in respect of raw materials, guidance in quality control measures, etc.

The committee, of course, does not desire the extension of the arrangements for quality control and pre-shipment inspection to heavy engineering equipment, for it considers the variety of such equipment very large and also feels that the exporters of these items invariably are of proven competence who have also self-disciplined in-plant quality control. A very significant suggestion of the committee in regard to quality control, however, is that quality control and pre-shipment inspection system should not be merely regulatory. Instead, it should help and guide introduction of proper in-plant quality control procedures and equipment.

The committee has as well made several pertinent observations in respect to export obligations. Noting that these obligations have been, by and large, fulfilled by the industrial units concerned, it has suggested that "those units which have already shown good export performance, when they come up for rehabilitation and modernisation, should not be generally

Eastern Economist Annual Number 1975

The current issue of this journal is the last regular issue for this calendar year and the next issue, bearing the date December 27, will be Eastern Economist Annual Number, 1975.

The theme of this Annual Number will be 'Challenge of Inflation'. Volumes are being written on the causes of inflation and even more on its cures. Nevertheless, when it comes to the crunch, nowhere in the wide world is there any certainty about the precise nature of inflation or how the international economic community or the various national economies may save themselves from its ravaging fury. But the fact that knowledge on inflation is incomplete and unsure or that wisdom about inflation is even more elusive need not and should not come in the way of our seeking an understanding of the nature of this challenge to economic stability and progress or educating ourselves on possible means of meeting it. The Annual Number 1975, will, therefore, attempt to make its own modest contribution to the discussion of this important and urgent problem.

The Annual Number will naturally concentrate on domestic economic developments relating to the problem of inflation and subject to critical study various suggestions made from time to time for controlling inflation in our country.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the special issue will be priced at Rs. 15 per copy for casual sales. Regular subscribers will receive their copy without extra charge. Copies will be available from leading booksellers as well as from :

The Manager, Eastern Economist Ltd.
UCO Bank Building, Parliament Street, New Delhi-1

prescribed additionality of export, as this would convert an initiative into a compulsion". It has been appropriately pointed out by the committee that while giving permission for replacement and modernisation programmes of an industrial unit, the government need not be rigid about increase in capacity, which is inherent in the replacement of obsolete and worn-out machinery under these programmes.

The committee has also very significantly pointed out that export obligation should not be so high as to be penal or impractical, leaving the entrepreneur inadequate manoeuvrability to fulfil his commitment. In view of the uncertainties of export, there is a good deal of merit in the committee's recommendation that export obligations need not be legally enforced for more than five years. Similarly, in the case of non-fulfilment of export obligations, the present stipulation that twice the quantum of committed exports should be made over to the State Trading Corporation or any other export agency, for export at whatever price, the committee feels, is "too harsh". It has suggested that it would be more equitable, if, instead, a quantum equivalent to the unfulfilled part of export obligation is handed over to the STC. Generally, in respect of export obligations, the committee has advocated a selective approach. It has preferred concerted effort in some fields and by some industrial units to the diffusion of effort over a wide spectrum. The committee also feels that incentives would go much farther in stepping up exports of engineering goods and laying a more solid base for a satisfactory growth of these exports than greater resort to the system of compulsory obligations.

Some very useful suggestions have been made by the committee in regard to provision of incentives for engineering goods exports. Noting regretfully that still long delays take place in the disbursement of cash assistance as well as in the payment of duty drawbacks, the committee has called for an expeditious streamlining of the procedures governing these programmes. It has also been suggested that any change in the cash assistance scheme should be effective only from a prospective date, after allowing the industries concerned a reasonable period for adjustment and that the assistance applicable at the time of securing an order should hold good till the order is completed.

The committee's stress on the need for compensating exporters for the burden of indirect taxes is not unwarranted, for this incidence is sizeable. Similar is the case with the committee's recommendation that as long as the scarcity of mild steel, special and alloy steels as well as non-ferrous metals continues or where the indigenous raw materials are significantly more expensive, a liberal policy should be followed in fixing import replenishment. Equally significent is the suggestion for the evolving of a mechanism to ensure automatic and expeditious adjustment in the rates of drawbacks on the basis of changes in customs, excise duty and import component as well as on account of any increase in the imported prices of raw materials. In the case of sensitive items such as copper, zinc, etc., it has been recommended that the relevant data should be up-dated once every month.

In view of an appreciable growth in consultancy services in the country, the committee has rightly emphasised the need for stepping up consultancy exports as well as undertaking of turn-key projects and joint ventures abroad, particularly in the neighbouring developing countries where the competency of our consultants is increasingly being re nised because of its suitability. Som the public sector undertakings, ind can take up this work on a signifi scale. Consortia of consultants ca well be formed for exporting consult services. Till now, turn-key jobs ab have been undertaken due to incide surpluses of capacity at a given poin time. The task now ought to be take in a planned way to step up enginee goods exports. As the committee suggested, special consideration need be given for making available adeq and timely supplies of raw materials executing contracts for turn-key proj and joint ventures abroad. In some ca of course, we may not be able to do jobs on our own. In such cases, atten ought to be made for securing sub-c tracts from foreign parties. In view the mounting costs in the advanced co ries, a good deal of sub-contracting w can surely be had by our consultants well as manufacturers of equipment machinery.

A very significant suggestion in reg to consultancy services that has been m by the committee is that the prelimin and feasibility studies ought to be und taken by our consultants, particularly the public sector, free of cost if there reasonable chance of their services be utilised by the developing countr They can be compensated for their eff through the Market Development Fu With a view to meeting the stiff comp

Eastern Economist 30 Years Ago

Dec. 15, 1944

Perhaps, Delhi deserves to be congratulated for attempting to tackle satisfactorily the begger problem for the first time in India. Laws regarding vagrancy are old enough, but they have been generally of little practical importance in the absence of destitute homes and workhouses. It is intended to establish a settlement on the outskirts of the city consisting of a remand home for new entrants, an infirmatory for the disabled, a workhouse for the able-bodied, and a hospital. The colony will be able to accommodate 300 inmates. The recurring cost of the scheme is estimated to be a lakh annually. Half of this amount will be borne by the Central Government, and one-third by the combined municipal area Delhi and New Delhi. Rest of the expenditure be available from interests on endowment fu which amount to no less than Rs 6½ lakhs by n This may appear, on the whole, to be a very fashioned method of tackling the problem poverty with little chance of success under Ind conditions. If the provisions of relief are go to be at all humane, and consistent with minim living standards, the settlement will prove to b preferable place than home to millions in Ind There is no doubt some amount of professio begging which may be deterred, but its extent generally exaggerated.

tee feels that it would be appropriate evolve a comprehensive deferred pay- nts scheme. The need for liberalis- releases of foreign exchange for pur- ses of some particular pieces of ma- nery and equipment from third count- for the execution of turn-key projects joint ventures abroad has also been ssed. So also a more liberal approach ards the release of foreign exchange approved consultancy organisations selected exporters for business de- opment purposes.

he emphasis by the committee collection of information about prospects of turnkey jobs and it ventures abroad and its emination among the consultancy or- isations here expeditiously is not mis- ced. A massive effort needs to be le in this regard. In respect to con- ancy services, another very significant ommendation of the committee is that construction undertakings should en- vour to take up jobs abroad in a big by forming consortia. They, of course, will have to mechanise their methods.

The committee has also assessed the scope for stepping up our engineering goods exports, particularly sub-assemblies, to the developed nations as very significant in view of the current trends in these countries for vacating some lines of manufacture due to mounting labour costs. It feels that we can not only enter in a big way the areas of production being vacated by the developed countries but also share consultancy work, detailing of engineering, etc., for the developed countries. The latter has great significance in so far as the oil-rich countries are concerned. They are anxious to accelerate their development but are likely to be highly selective with regard to choice of technology and equipment. We therefore may not always be able to secure prime contracts from them on our own.

The committee's report, comprehensive as it is, needs to be energetically followed up, holding in abeyance ideological considerations, if the breakthrough on the front of engineering goods exports is to be accelerated.

Power failure

WAYS of the central and state govern- nts and the Planning Commission are xplainable when obvious courses for ver planning are dictated and there is culty in securing only financial re- rces and not physical resources. Even n the spectre of power shortage is king the whole land and the heavy trical units are worried about an ac- mulation of stocks of generating sets the maintenance of production at a n level, neither the central government the state electricity boards have been rred into action. Political exercises in t should constitute the cost of power the inefficient use of existing capacity thermal stations have been mainly ponsible for the sorry state of fin- es of the state electricity boards, and difficulties of the Planning Commission letermining the viability of particulor ver projects.

he modernisation of the lignite nes of the Neyveli Corporation in Tamil Nadu provides a classic instance of how serious lapses in planning can take place if there is no proper appreciation of what constitutes the cost of power and how priority should be determined. In earlier years when the Tamil Nadu Electricity Board had no problem of power availability and the Karnataka Electricity Board also had considerable export surplus, the importance of Neyveli as a major source of supply was not properly recognised. In the past three years, however, the whole situation has deteriorated so badly that the southern region has such a huge deficit that it is unlikely to be overcome in the foreseeable future.

The Tamil Nadu Electricity Board has been obliged to impose a cut in consumption of HT consumers by 40 per cent from the beginning of December 1974. This is the third season in succession in which it has been necessary to restrict the use of power for long periods and heavy loss of output in terms of cotton textiles, yarn, aluminium, heavy chemicals, engineering goods and other items is being sustained. In Karnataka too, for the second year in succession power cuts have been imposed due to the failure of the south-west monsoon and the cuts range from 10 to 35 per cent. In Andhra Pradesh there were cuts ranging from 10 to 50 per cent until recently and these were removed after a new unit was commissioned in Kothagudam thermal station. Even so there are quota restrictions for industrial consumers and the position is not expected to be comfortable in the summer months. No new large capacity is expected to be commissioned in the next two years. Only in Kerala there is an exportable surplus of 300 million units annually and there is keen competition for absorbing this surplus between Tamil Nadu and Karnataka.

The current deficit for the whole region is estimated to be eight million units daily or about 20 per cent of the total needs; the gap in Tamil Nadu is four million units, the balance of four million units being on account of Andhra Pradesh and Karnataka. There are also problems in meeting peak loads even with the staggering of use of power by different classes of consumers. It is expected that the deficit will grow considerably in the coming years as many new fertiliser projects will be completed and additional capacity for producing aluminium is also being created.

The mammoth Idikki project in Kerala is, of course, in the final stages of completion and the first of three units of 130 mw each should have been commissioned by now. It is now hoped that power may become available from this source by the middle of 1975 though reliable enquiries indicate that because of the hold-up of work in the main dam and penstock pipes, due to labour trouble, the first unit may not go on stream before the end of 1975 and the two remaining units at subsequent intervals of four or six months. It is not, therefore, correct to expect that succour will be available from this source in 1975. Only one 110 mw unit is likely to be commissioned in August 1975 at the Ennore thermal station. The power position in 1975 may not therefore improve substantially unless Neyveli is able to restart its oil-fired boilers and there is also an improvement in hydel storage, with adequate rainfall in catchment areas.

What is however important in the present context is perspective planning, as further shifts in the implementation of new schemes can prevent the correction of fundamental imbalance that now exists in the power situation. The Idikki project in Kerala and Lower Sileru project in Andhra Pradesh may between themselves provide 830 mw of new capacity which may be helpful in minimising the regional deficits temporarily. The Kalinadhi project also may start functioning by 1978 though the scheme may not be completed in all respects even by 1982. The other major source of hydel power is the Srisailam project in Andhra Pradesh which will also have capacity of 440 mw. It is reported however that all these three projects are not making the required progress due to paucity of financial resources.

It is indeed a happy coincidence that work on four major hydel projects is progressing in various stages and with the provision of adequate financial resources and correct supervision nearly 2.5 million kw of capacity will be brought into being. But by 1983-84, even taking into account normal growth in power and excluding the requirements of new steel plants, the region's capacity should be at least 14,000 mw against the present 5000 mw. There are, of course, other projects like the Kalpakkam atomic power station, the Kothagudam expansion scheme, the Tuticorin thermal project and some small hydel schemes in Tamil Nadu, besides the Vijayawada thermal power project. It may also be stated that more new schemes will be formulated for the sixth Plan.

What is however sought to be emphasised is the need for taking early decisions in respect of thermal projects which can be completed in a shorter period and which can be made to yield results sectionally. There is no escape from advancing the implementation of the further stages of Kothagudam thermal station in Andhra Pradesh and the opening of the second mine cut in Neyveli, besides hastening the pace of the modernisation of the existing mine cut. Somehow the latest reports from the centre seek to give the impression that the outlay on the lignite project for raising output to 6.5 million tonnes annually from 3.5 million tonnes is itself a big project. The cost has been needlessly allowed to rise to Rs 87 crores when an outlay of less than Rs 20 crores would have sufficed, three or four years back. What is essentially a question of replacing worn out plant and machinery and improving conveyor arrangements for transporting lignite has assumed the colour of a major scheme simply because the viability of Neyveli's working has been affected in earlier years as result of the refusal of the Tamil Nadu government to pay reasonable prices for power from this source and the failure of the central government to estimate the probable life of mining machinery and replace them in time. When the compulsions of the situation arise, the Tamil Nadu government is even prepared to pay a prohibitive price based on oil and the central government is inclined to think of basing the fertilizer plant in this centre on fuel oil and release the quantity of lignite consumed this unit for power generation. This indeed a strange development though sirable in the new context.

What is however, imperative is an i mediate decision on the second mine in this centre. Without a super thermal s tion of 1000 mw based on the second m cut, a pit head station at Kothagudam Andhra Pradesh of even 2000 mw and expeditious implementation of Hogene project on the Cauvery with the consti tion of the proposed new authori there is no hope of any significant crease in power availability even at end of the current plan period.

If only the Planning Commission c devote its attention to the implemen tion of power and irrigation projects, the exclusion of others, for some years will be possible to increase agricultu and industrial production significan even in spite of other limitations on development of the economy.

World Bank and West Bengal

THE WORLD Bank group which last year lent $ 35 million for Calcutta's improvement has been lately taking interest in the development of West Bengal's agriculture. Sir John Craliford, the special agriculture adviser to the World Bank president, visited Calcutta in November this year and held discussion with the government on the state's agricultural problems and programmes. Some state governments have already been getting assistance from the World Bank group for developing various aspects of their agriculture. Bihar has secured a credit of $32 million for investment in minor irrigation, tube wells, and pumpsets; Himachal Pradesh $13 million for improving apple processing facilities; Karnataka $30 million for dairy development; and Rajasthan $52 million for irrigation. West Bengal expects that, with World Bank's assistance, it will be possible to speed up the state's agricultural progress.

There is great scope for agricultural development in West Bengal in many rections. The state contributes about per cent to the country's production rice, four per cent of wheat, three per c of pulses, 56 per cent of fibres, 14 cent of sugarcane (gur), 22 per cent potato, and three per cent of tobac These figures relate to 1971-72 T data for the subsequent years not readily available. That there is ro for improvement will be evident from fact that the yield of rice in 1970-71 West Bengal was only 1239 kgs per h tare compared to 1359 kgs in Andh Pradesh, 1710 kgs in Haryana, 1484 in Kerala, 1684 kgs in Karnataka a 1974 kgs in Tamil Nadu.

Apart from stepping up the yield, vi rous development of agriculture will h to increase the opportunities for emplo ment. This is one of the major objecti of the Comprehensive Area Developm Programme in which the World Bank shown much interest. Under this p gramme, compact blocks of about 10,0 acres each will be selected and suppli with agricultural inputs with the help institutional finance. The governm expects that the implementation of t

gramme will help the farmers to raise
or three crops per year as compared
only 1.2 crop at present. This pro-
mme will give a strong stimulus to
mal husbandry, dairy and poultry de-
pment, fishery and agro industries,
of which have vast employment poten-
. Mr Sankar Ghosh, West Bengal's
ance minister, recently pointed out
t in Japan the cultivation of high-
ding wheat varieties required 25 to
per cent more labour.

he government of West Bengal in re-
t years has substantially stepped up
estment on agriculture and allied acti-
es. In 1974-75 the expenditure on
iculture is estimated at Rs 21.44
res, on irrigation Rs 48.68 crores,
animal husbandry and veterinary
vices Rs 23.53 crores and on forests
3.99 crores. But to what extent West
gal's agricultural development will
a big boost with the assistance from
World Bank will depend largely on
v efficiently the state government will
able to provide the farmers with ade-
ate water, seeds, fertilisers and other
uts they require at prices they can
ord. It is true that the government
spent large sums of money on minor
gation but the facilities are not being
ctively utilised. The state Finance
nister, in his budget speech on March 1
year, said that "a massive pro-
mme" of minor irrigation was under-
en in 1972-73 at a cost of Rs 20.40
res and that in 1973-74 it had been
sible to install 246 deep tube wells,
river lifts, 16,000 shallow tube wells,
000 small horse-power pump sets and,
t as a result, an additional three lakh
es of land had been brought under irri-
ion. The Finance minister disclosed
t the government of India had sanc-
ned loan assistance of Rs 7.20 crores for
4-75 to enable the state to sink 243
p tube wells, install 600 river lifts and
0 shallow tube wells with pumpsets
compact blocks. He also said that
er the state's plan schemes, it had been
sible during the current year to sink
itional 1500 shallow tube wells and to
all 60 river lifts.

hese figures look impressive but many
he tube wells and pumpsets could
be operated due to lack of power.
Agricultural minister of West Bengal expressed his dissatisfaction recently over the poor performance of the state's electricity board in supplying power for agricultural purposes. The government of West Bengal therefore should improve the supply of power immediately and substantially in order to be able to make effective use of such assistance as it may get from the World Bank. It is also necessary to give proper attention to other aspects such as land and tenancy reform and easy access to credit. The availability of credit is particularly important. As Mr Robert McNamara, the president of the World Bank, has pointed out, "but realistic land and tenancy reform — as essential as it is — is not enough. It is one thing to own land; it is another to make it productive. For the smallholder, operating with virtually no capital, access to credit is crucial. No matter how knowledgeable or well motivated he may be, without such credit he cannot buy improved seeds, apply the necessary fertiliser and pesticides, rent equipment, or develop his water resources. Small farmers, generally, spend less than 20 per cent of what is required on such inputs because they simply do not have the resources".

Improvement of agriculture and developmment of rural areas are important and urgent also from the point of view of the betterment of Calcutta since it will help a great deal to check the migration of people from the villages. As the state Finance minister said recently, "the key to the future of our cities lies in the villages. If in our villages agriculture is prosperous and the rural economy is strengthened, then that will also help in the development of our industries in the urban areas and prevent the influx into the city slums of poverty stricken villagers in search of jobs and income". The IDA credit of $35 million is being used to finance 44 schemes relating to water supply, sewerage and drainage, roads and transport, environmental hygiene, disposal of garbage and housing. These are now under various stages of implementation. A team from the World Bank which visited Calcutta in November this year is reported to have expressed satisfaction with the progress being made in carrying out these projects. It is not known what criteria the team has applied to judge their progress but Calcutta's citizens generally seem to be unhappy with the manner in which they are being executed.

There does not appear to be effective coordination among the implementing agencies. The Calcutta Corporation is ill-equipped both financially and administratively to perform even its elementary functions with reasonable efficiency while the state government's departments also are unable or unwilling to take firm action against those who obstruct, in various ways, Calcutta's improvement schemes. The transport system continues to function in a highly chaotic manner. The government seems afraid to enforce discipline on the Calcutta State Transport Corporation lest its measures should worsen the situation. So, it remains indifferent when every day a large number of buses are immobilised on account of the absence of drivers and conductors, or minor defects in the vehicles. The city daily needs about 160 million gallons of drinking water but hardly 100 million gallons are actually available because of the poor functioning of the Palta Water Works. There is a proposal to rehabilitate the works at a cost of Rs 10 crores, which aims to step up water supply to 300 million gallons per day in the next five years, but in the meantime, some relief can be given to citizens by proper maintenance.

There are many other areas of civic life where substantial improvement can be effected if only the state government and the municipal authorities concerned diligently perform their routine functions. It is necessary to implement all the improvement schemes with the utmost efficiency and expedition since delay is not only likely to push up costs but create other complications. It is estimated that the Greater Calcutta area will have a population of about 16 million at the turn of the century compared to 8.3 million at present. The government therefore cannot afford to go slow with the betterment of Calcutta.

The assistance from the World Bank, whether for urban or farm improvement or for other purposes can be effectively utilised only if the government of West Bengal succeeds in vigorously toning up its administration.

FROM THE CAPITAL’ CORRIDOR

R. C. Ummat

Cement Production and Exports • TV Sets Manufacture Policy • International Dairy Congress

A MASSIVE effort is being launched to step up the output of cement not only to ease the situation in the home market but also to throw up larger surpluses for export than has been the case in the recent past. Currently, exports of cement are being encouraged to earn valuable foreign exchange through curbs on domestic consumption.

According to a recent estimate of the union ministry of Industry and Civil Supplies, there is considerable scope for exporting cement to the west Asian nations and the other neighbouring countries like Sri Lanka and Bangladesh. Among the west Asian nations, exports to Iran alone, it is felt, can be raised to nearly half a million tonnes from about a lakh tonnes this year. Sizeable exports can be effected to the United Arab Emirates (1.5 lakh tonnes), Gulf of Oman (50,000 tonnes), Kuwait (75,000 tonnes); Saudi Arabia (50,000 tonnes); Qatar (25,000 tonnes); and Bahrein (25,000 tonnes). Sri Lanka, it is understood, is interested in about 25,000 tonnes of cement next year. Sizeable quantities have also been sought by Bangladesh. The possibility of the reopening of the Suez Canal towards the middle of next year, it is felt, can help exports of cement and also of several other commodities to the north African countries.

increasing production

Giving some glimpses of the steps being taken to increase production, the union minister for Industry and Civil Supplies, Mr T.A. Pai, disclosed at a meeting of the Panel on Cement Industry, held here last week, that the output by the existing units achieved by utilising industrial wastes would be automatically recognised even when it went beyond their approved capacities. He particularly drew the attention of the industry to the need for utilising fly ash and steel furnaces slag for the manufacture of cement. Estimating that nearly 2.3 million tonnes fly ash was available for this purpose, he called upon power houses to collect it and make it available to cement producers in dry state (85 per cent of the present collection of fly ash is said to be in wet state). The cement producers having their units within economic distances of power houses for fly ash transport, Mr Pai urged, should also have a dialogue with power houses and arrange for the utilisation of this valuable material which otherwise goes waste at present. The steel plants, he added, were already going ahead with the installation of slag granulation units.

special cell

Another important step to raise cement production — primarily through better utilisation of the existing capacities — that has been taken, Mr Pai revealed, was the establishment of a special cell in his ministry to ensure adequate supplies of coal to the cement manufacturing units. He urged the industry to expeditiously bring its problems to the notice of this cell so that at least four million tonnes additional cement could be produced from the existing capacities during 1975.

Mr Pai as well announced the formation of a committee under the chairmanship of the secretary, department of Heavy Industry, Mr Mantosh Sondhi, to go immediately into the question of cost of cement plants and equipment. This apparently has been done in view of the considerable lags in the placement of orders for translating the already issued letters of intent for nearly 19 million tonnes additional cement manufacturing capacity into productive units. These letters of intent h
been issued in the recent past to raise
capacity during the current Plan per
from 20 million tonnes to at least 29 r
lion tonnes. Till now, however, the ord
with machinery producers have b
placed by the holders of the letters of
tent to the extent of only about 4.5 n
lion tonnes capacity. Mr Pai assured
industry that all efforts would be made
ensure a fair return on investments in
cement industry

utilising existing capacity

A number of suggestions are understo
to have been made by the industry
presentatives at the last week’s meeti
of the panel for stepping up the utilisati
of the existing capacity, which went do
from about 90 per cent in 1965 to just
per cent in May 1974, and was of t
order of 81 per cent in 1972 and nearly
per cent in 1973. The average utilisati
of capacity currently is around 80 p
cent. It was particularly emphasised th
if adequate supplies of furnace oil cou
be made available, the capacity utilisati
could be stepped up again to about
per cent. It was also suggested that
part of the foreign exchange earn
through exports of cement should be ea
marked for importing furnace oil.

In the interest of stepping up exports
cement, the industry is understood to ha
stressed the need for setting up a separa
organisation to handle the job. Fea
were expressed that the State Tradi
Corporation, the present canalising agen
for cement exports, would not be ab
to devote the requisite attention to t
tapping of new markets, for this constru
tion material was one of the hundreds
items with which the STC was concerne
Some manufacturers are understood
have stressed the need for sending a tra
delegation to locate new markets for c
ment and to enter into on-the-spot co
tracts.

The union ministry for Industry a
Civil Supplies feels that exportsof ceme
can be undertaken in a big wayby t

s in Maharashtra and south India as had some surplus capacity

* *

ne Electronics Commission, it is nt, keeps the following considerations iew while licensing capacity for the ufacture of television sets:

) There is no need for any foreign aboration or know-how for the manuure of TV sets in the country;

) no TV sets with foreign brand names ıld be allowed to be manufactured and licence need be given to companies foreign equity holdings;

) fifty per cent or more of the total acity should be sanctioned to units in small-scale sector and preference ıld be given to qualified engineers/ ntists and consortia of small-scale s;

) reasonable capacity would be licenso public sector undertakings — both ral and state; and

) efforts should be made to distribute luction equitably throughout the ntry.

he applications which do not fulfil of the above criteria are rejected. re are 30 units producing TV sets at ent. Seventeen of them are allowed to duce 2,500 sets each and seven units 0 sets each. Three other units are nsed to produce 7,500, 10,000 and 00 sets. The remaining three units been licensed 20,000 sets capacity ı.

eliorative steps

number of steps are said to have been n in the recent past to minimize, as as possible, the impact of the shortage TV picture tubes. These include:

) allowing under the current import cy, utilisation of RPA licences issued year (and those unutilised in the last years) for import of picture tubes;

2) allowing of the utilisation of actual s' replenishment licences for the same pose;

3) doubling of the capacity of Bharat ctronics — the only manufacturer of picture tubes in the country at pret—from 100,000 numbers of 200,000 nbers per annum;

4) grant of letters of intent for the duction of these tubes to four units e in the state public sector and three in private sector) at the rate of 40,000 nbers per annum each—one of these ts is expected to go into production rtly;

5) import of 40,000 picture tubes from the East European countries through the Electronics Trade and Technology Development Corporation, a public sector undertaking set up under the Department of Electronics, on an ad hoc basis.

The government expects that as a result of all these measures, there will be a perceptible improvement in the supply position in the coming months.

* *

The plea of the 19th International Dairy Congress—which met here last week—for the fostering of dairy development as an instrument of social change and economic growth will be widely endorsed. Dairying cannot only help in fighting disease and malnutrition but also assist in providing employment to vast numbers both in the developed and developing countries, particularly in the latter. Significantly enough, the conference commended the pattern developed in India to the other developing nations.

Another pertinent point stressed by the Congress was that the world economy, which is currently based largely on the use of irreplaceable resources, must now start to move towards a sustainable economy based on the use of replaceable resources. Dairying, it pointed out, was uniquely suitable for restructuring the world economy on replaceable and sustainable resources.

The Congress, however, regretted —and rightly — that the recent UN World Food Conference, which was held in Rome a few days ago, did not include milk products in its programme while considering world food distribution. It emphasised that since milk was a complete food, especially for children, it ought to have been included in this programme and efforts made to augment milk supplies on a global basis through the development of the dairy industry.

The Congress adopted three resolutions. The first, which emphasised that the world economy should now start moving towards a sustainable economy, recommended the following guideliness for adoption:

(a) Increasing the efficiency in the use and conservation of energy in farm and factory production.

(b) Developing of the uses of replaceable energy sources, in particular solar energy.

(c) Measuring the efficiency of dairy production in terms of essential human nutrients, and paying accordingly.

(d) Utilizing for dairying purposes, to the maximum possible extent, those very large quantities of forages and feedstuffs which are not directly useable as human food.

(e) Using milk and its constituents directly as human food, and not either for industrial purposes or, unless it is important, as stock feed.

(f) In view of the need to increase the world food supply and to avoid environmental pollution, every effort should be made to utilize all the valuable nutrinets of milk and whey.

The second resolution called upon "the FAO and WFP, together with the milk producing and the other donor countries, to urgently expand and develop schemes for further constructive and sustained use of milk products to foster economic and social progress with particular regard to nutritional aspects" and urged immediate action in this respect by the countries participating in the Congress.

The third resolution emphasised the need for reconsidering the structure, financing and the programme of work of the International Dairy Federation in view of many countries now showing interest in IDF activities and expressing their desire to be associated with these activities.

The emphasis in the discussions of the Congress, however, was primarily on the food aspects of cattle development, although it was increasingly recognised that the growing requirements of various other animal products for industrial uses could also not be ignored.

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Farm productivity and economic development

S. P. Mandelia

THE WORLD Food Conference has just ended in Rome. It was one of the most significant conferences ever held, as the very existence of millions of people in poor countries depended on the outcome of its deliberations. It has succeeded in drawing the attention of the world towards the extent of the seriousness of this problem.

In India, like in many other poor and developing countries, mainly depending on monsoon for food production, the foremost priority is to be given to warding off mass hunger. The fortunes of this subcontinent — both economic and political fortunes — depend heavily on agriculture, which employs nearly 70 per cent of the working force and accounts for more than 50 per cent of the annual production of national wealth. It supplies :

(1) the basic needs of the population in terms of cereals, edible oils, dairy and livestock products and fish;

(2) the vital raw materials of industries, e.g. cotton, sugarcane, jute, tobacco, wood pulp; and

(3) significant export-earning crops such as tea, coffee, pepper, tobacco, jute, cashewnut etc.

A sharp reduction in the total agricultural production results in

(i) fall in National Product,

(ii) shrinkage of demand for consumption goods, and

(iii) inflation — leading to (a) huge imports of food and (b) large outlays on relief operations.

This overwhelming and dominant position of agriculture must be viewed in proper perspective in any plan for economic development. Any undue emphasis on western-type industrialisation creates not only some kind of a bias against agricultural activity but also serious problems of pollution, ecological imbalance, neglect of indigenous resources, large-scale migration to cities and the resultant socio-economic problems of slums, crime, illiteracy, etc.

Recently, new connotations of the words 'growth and development' have been put forth by many development economists. They have started doubting the thesis that the per capita GNP is the correct yardstick of growth and development. They suggest "per capita welfare" as more rational yardstick. More candidly, in a country like India, production of enough food for all and its proper distribution would assume the highest priority in any scale for measuring welfare of the masses. It is no use flouting figures of per capita income when we all know fully well that two-thirds of our population live below the poverty line and deaths due to hunger, cold and lack of care are not infrequent.

welfare of masses

Thus it would be a truism to say that any increase in agricultural production and productivity, coupled with proper distribution, would go towards directly increasing the welfare of the masses. Economic growth and development will then have a more human dimension — far beyond cold statistics. The main objective of the fifth Plan is to raise the incomes of the lowest 30 per cent of our population. The Minimum Needs Programme, framed for this purpose cannot succeed without ensuring enough agricultural production for the increased numbers. Modernisation of agriculture and expansion of agricultural output is thus the greatest task before the nation. The stake of the our industry in the growth and development of agriculture is very large. Industry, therefore, must take a more effective interest in meeting the challenge.

Increased agricultural productivity, i.e. yield per hectare, has brought prosperity to many predominantly agricultural countries, e.g. Canada, Australia, New Zealand, Denmark, Israel and the USSR. Take the example of Denmark, which had in 1971 per capita GNP of $3430—higher than that of France, West Germany and the UK. Denmark's per hectare wheat yield in th year was higher than any of these cour ries and was more than three times t world average of 15.9 quintals yield p hectare. Industrialised nations, needi more manpower for secondary and te tiary sectors, have mechanised agricultu to an extent where a very small percenta of population is required to work in t agricultural sector. The momentum of i dustrialisation has converted agriculture these countries into an industry, with hu inputs of research and development, fer lisers, machinery and equipment, agricu tural education and training incentives a the like. The output in the form of i creased productivity has been fantastic.

Meanwhile, a poor country like Indi with very little resources, continues more or less depend on agriculture. wrong notion prevailed earlier that t Indian farmer was a fatalist and he w averse to all modern technologies a techniques. Fortunately for us all, this w proved to be a totally wrong notion bo of prejudice. The Indian farmer has ve readily and eagerly taken to new techn ques and new seeds, fertilisers, pesticide etc.

lack of resources

But the handicap of lack of enough r sources, which a poor country has to li with, is more difficult to overcome. am now referring to the problem of provi ding infrastructure facilities. Take f example the case of building roads and transportation network without whi there cannot be sustained agricultur growth. In spite of our best efforts, have not been able to achieve much in th field. For example, out of the 1000 reg lated markets located in cities with pop lation between 10,000 and 50,000, 66 p cent are in one state. For full covera of all the states, 5,000 more of these ma kets are required. Their development wi depend upon the expansion of the roa transport system connecting each villa with these centres. The development rural roads has changed the rural societi of Punjab, Haryana, UP and Tamil Nad

e inadequacy of such roads in MP and
arashtra makes it difficult to fully
oit their agricultural potential.

ke another more serious problem of
harvest and post-harvest losses. Esti-
es of these losses have been made by
ous individual researchers as well as
nisations. In a study sponsored
he Indian Council of Agricultural
earch, it was estimated that the damage
ed by rats in the pre-harvest period to
ey, wheat, rice, groundnut, coconut,
ze and jowar crops, ranged from 2.5
1.8 per cent. An earlier estimate by a
archer was that 25 per cent of all crops
vn in India are lost in the field due to
cts, pests, disease and rodents; 15 per
are lost due to the activities of insects,
gi, moisture, birds and other pests dur-
storage and an additional 10 per cent
lost due to handling etc. The FAO
orted in 1967 a total loss of 50 per cent
oodgrains in India with about 10 per
by rats alone. A study of pre-har-
loss due to field rodents, recently pub-
ed in the *Economic and Political Weekly*
e 29, 1974) has come to the conclusion
if such losses are prevented or mini-
ed, the present production of food-
ns is enough not only to meet normal
onal requirement but to have a rea-
able reserve for emergencies.

reasing productivity

is thus amply clear that there is an
a in which a lot could be done to in-
ase the overall productivity of available
l. It is quite clear that the supply of
l cannot be increased in the same pro-
tion as the increase in population. The
l-known document "Limits to Growth"
mates the minimum land requirement
producing the food, clothing and other
ds and for providing shelter to one
ividual at 0.4 hectare or one acre. On
basis, we shall need millions of acres
dditional land every year. But in ac-
l practice a lot of agricultural land is
ng converted into non-agricultural land
meet the requirements of new housing
onies, roads, factories, etc. Thus, the
itional production of food will have
come from a vertical growth in pro-
tivity and not through any large ex-
nsion in area.

More intensive cropping, therefore, is a
st. In Mr McNamara's words "If Japan
ld produce 6720 kgs of grain per hec-
e on very small farms in 1970, then
ica with its 1270 kgs, Asia with
0 kgs and Latin America with 2060
per hectare have an enormous potential for expanding productivity". Mr C. Subramaniam, then Agriculture minister, participating in the Regional Conference of the FAO in Tokyo on September 24, declared that only by raising productivity "will we be able to improve the real income of our rural population and provide greater opportunities for gainful employment". He also emphasised the need for supplying power to rural areas for the development of agro-based industries. Biogas plants and energy plantations consisting of quick-yielding fuel trees could play a very vital role here. Similarly indigenous technological approaches will have to be developed to reduce dependence on others. Social factors and the problems of management of small farms will have to be taken care of. The farmer will have to be assured a remunerative price, which can act as a powerful incentive to increased production. Availability and proper management of farm credit is also very important. Development of livestock, dairying and fishing resources can go a long way in promoting economic growth in the rural areas. Availability of high level technical personnel, development of new crops, willingness to welcome commercial interests to participate in agricultural development —these are some very important areas which have been neglected so far.

Above everything else, there has to be the will and the honesty of purpose at the implementation level, without which even the available resources could be wasted. This is amply clear from the special report of the Comptroller and Auditor General of India on the implementation of the Crash Rabi Programme of a state government. Although an amount of Rs 27.25 crores was spent, the actual results were extremely disappointing and production was below even the normal figures.

the miracle

In contrast to this, the miracle of human will and technology can be seen in the Imperial Valley of California and the Jordan Valley in Israel, which were formerly regarded as hopeless deserts. I quoted the example of Japan above. It should, however, be noted that almost all area under rice cultivation in Japan is irrigated. In India sincere efforts must be made to increase production in irrigated areas and also expand the irrigated area. At present less than 25 per cent of the total area is irrigated— making agriculture more or less a gamble in rains.

Better utilisation and management of water resources is absolutely essential. Remarkable results have been achieved in the Saharsa and Purnea districts of Bihar in tapping of ground water by bamboo tube wells — an innovation introduced in 1968. Research on improving productivity of crops grown in areas receiving scanty rainfall should also be promoted. Besides, there are many areas of known but neglected potential. For these areas a "special area scheme" should be formulated and implemented for a substantial expansion of production. I have already made a reference to the problem of finding enough resources for increasing agricultural productivity and providing the large number of infrastructure facilities for an integrated development of rural areas. The migration of population to cities must be slowed down, if not completely stopped. And this can be done only by developing the rural areas.

a serious blow

A recent international development has dealt a serious blow to our efforts in the direction of increasing agricultural productivity. I am referring to the unprecedented rise in the prices of oil and chemical fertilisers. Our country now finds itself between the horns of a dilemma. We need more and more fertilisers for our fields but increased prices have forced us to cut the imports of oil and fertilisers. Only international assistance on a massive scale can save the situation. However, efforts must be made to increase the utilisation of existing fertiliser plants in the country, which is only about 60 per cent at present.

Similarly, oil exploration, the building of coal-based fertiliser plants and a massive programme of producing compost fertiliser and gas from biological wastes must receive top priority. In the immediate future food will have to be imported from abroad—even at the risk of cutting the imports of some other essential items. Inflation at home has already started taking a toll of many irrigation and power projects. For example, out of the 75 major irrigation projects in the fifth Plan, almost half are likely to spill over to the next Plan.

Some food in the form of aid is also likely to be available. But any large scale dependence on aid would only divert our attention from the primary task of increasing domestic production. None of the Asian countries receiving large food-aids has attained self-sufficiency. And without self-sufficiency in food, a poor nation which does not have enough foreign exchange to import all the food it needs, has necessarily to depend on the generosity of others. Some loss of self-respect cannot be avoided in this process. Thus, increasing agricultural productivity and attaining self-sufficiency in food is not only a precondition for our economic growth and development but also an important factor in shaping our image the eyes of the other nations of the wor and their attitude towards us. Tho countries who have surplus food hold t real key to world leadership.

Prospects of diversification of exports

J. R. Chawla

ANALYSING THE strategy for export promotion at the inauguration of the International Marketing Forum in New Delhi, Mr S. Ramachandran, chairman, Minerals and Metals Trading Corporation (MMTC) rightly emphasised a three-tier approach. He stressed: (*a*) traditional exports must not be allowed to lag behind while exploring the possibilities of selling new commodities; (*b*) all-out efforts must be made to fetch higher unit value from exports; and (*c*) new directions of exports must be explored to meet the challenge of international inflation and economic crises.

The achievements in exports in 1972-73 should under no account lull us into a state of complacency. There was a near-boom in world exports last year and, despite our good performance, other countries continued to steal a march over us. Our share in world exports has been showing a progressive decline in the last decade. The share came down from 1.20 per cent in 1963 to just 0.63 per cent in 1973. This is indeed alarming.

traditional commodities

A significant fact that we must reckon with is that India continues to the primarily an agricultural country and traditional export items still form two-thirds of the total Indian exports. In spite of the fact that the world trade in traditional items is subject to wide fluctuations and the theory of comparative costs does not hold good in today's international economics, the largest part of Indian exports still comprise and shall continue to comprise such primary and traditional products as tobacco, oilcakes, cashew kernels, hides and skins, cotton textiles, jute and coir goods and tea with fetch for the country the largest chunk of foreign exchange. It is interesting to note that a recent study of the ministry of Commerce shows that the total export subsidy spent on sophisticated engineering items, together with foreign exchange spent on promotional aspects, is much more than the total foreign exchange earned by the export of such items. Table I (page 1067) shows the composition of our exports.

As for our export merchandise, we have no reason to be content to step up year after year the export of unprocessed iron ore lumps or fines when even small countries have successfully ventured into the export of pellets. Similarly we cannot always be happy to export our scarce resources of manganese ore, chromite ore, kyanite, unprocessed mica, untanned leather and so on. The emphasis has to shift from iron ore to pellets, pig iron and castings; from manganese ore to ferro-manganese; kyanite to refractories; untanned leather to leather apparel; gray cloth to finished sheetings and so on.

exportable goods

Among those industries which qualify for export of capital equipment are thermal power plants, coal and ash handling equipment, electrical transmission lines and distribution equipment, wagons and other railway rolling stock, industrial machinery such as for cement plants, sugar plants, flour mills and wheat products for processed food, dairy equipment, hydraulic structures and gates, road building equipment, gas and air separation plants, tractors, small and medium electric furnace plants and re-rolling mills.

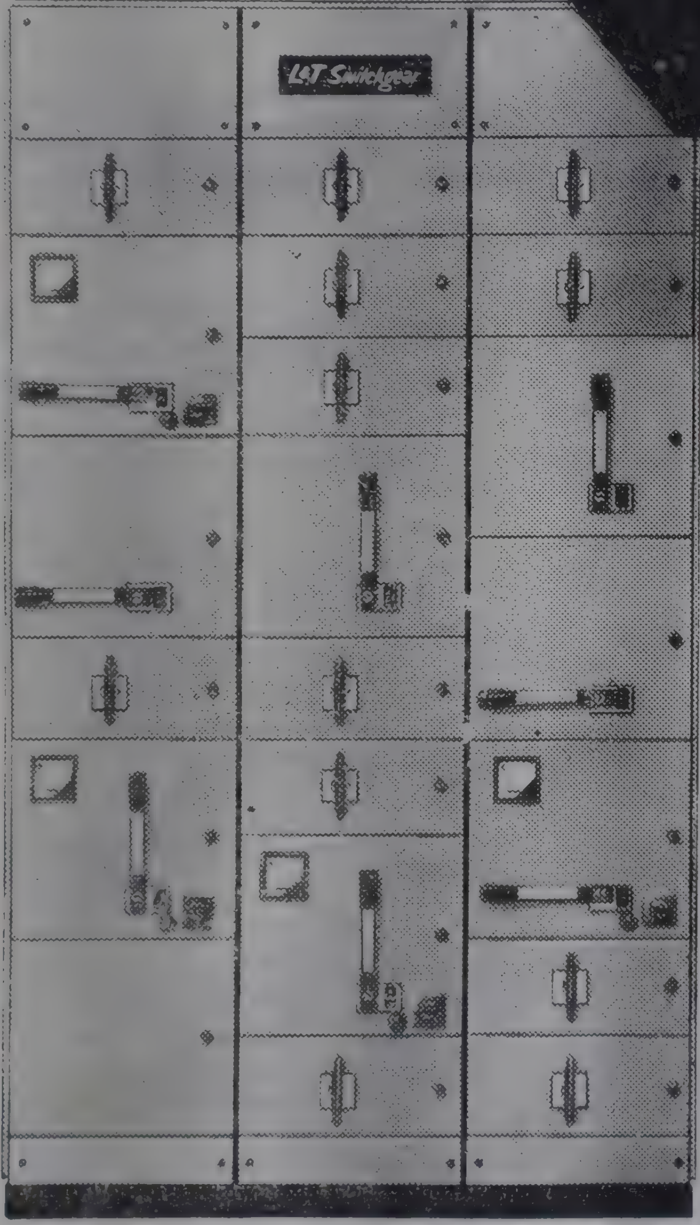
Next in importance to the boosting of exports is the setting up of joint ventures and sale of consultancy services abroad. Indian equipment and know-how should emerge as a major instrument of our new trade policy. Touching on this aspect, Dr M. N. Dastur intones, "India is well advanced in sophisticated fields such as nuclear research, has a large steel indus over 60 years old and has various en neering and consumer industries, des and consultancy services, technical tal and skill. Despite the few gaps in machine building capacity, she is in fortunate position to offer plant and equ ment for a number of industries such textiles, sugar, cement, light engineer goods. The export programme of Ind engineering industries can be backed effectively by Indian expertise and des engineering services".

promising scope

Countries in the third world of promising scope for Indian consultar services in a large number of industr such as plastic goods, pharmaceuti products, light and heavy engineer items including agricultural machin and tools, car batteries, electrical bul assembly of electrical motors and die engines. Apart from capital participat and export of technical and manage know-how, the third would offers poten market for our capital and intermedi goods such as plastic processing machine pharmaceutical equipment, non-ferr and ferrous rolling mills, power pres machine tools, electrical control switch gear, process control instrume and a host of intermediate and ancill components.

Certain countries which are rich agricultural products such as groundr sesame seeds, cotton seeds, palm ker sugarcane etc. have undertaken p grammes for setting up oil mills, solv extraction plants, hydrogenation pla soap factories, sugar mills and distille based on these resources. This has crea a great demand for machinery equipme spares and technical know-how necess to implement these programmes.

There also exists considerable sc



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small industries

int ventures in the production of a ariety of items such as textiles, food cts, pharmaceuticals and various of engineering goods. The colla- ng countries are also keen on g up not only those industries that sed on locally available raw material lso those which can help in import tution. Building up of power trans- n and communication facilities is a on feature of the development plans fferent countries. They have also ng programmes for housing. There herefore, good prospects for export- large number of items from India.

ing oil boom

w that the oil crisis has darkened nternational scene, there is greater for India to identify new directions ur exports. Many of our core indus- such as fertilizers and synthetic fibres ly depend on the availability of oil and we must intensify our effort netrate the rich oil producing coun- for the promotion of our exports so we are able to pay for our imports these countries.

is heartening to note that India has well in selling to the oil-rich countries est Asia and Africa. Exports of tradi- l goods increased from Rs 505.5 on in 1965-66 to Rs 736 million or by r cent and exports of non-traditional s jumped from Rs 210 million to Rs million or by 267 per cent during the -year period to 1972-73. However, pattern of composition of our trade the balance of payments are far from factory. While our exports to these regions were worth Rs 1500 million in 1972-73, corresponding figure for imports was Rs 2840 million thereby showing a net deficit of Rs 1340 millions. An interesting feature of the composition of trade was that the import of raw cotton, petroleum crude and petroleum products amounted to 93 per cent of our total imports while on export side engineering goods fetched us only 13 per cent of the total export earnings from these regions. Thus, apart from increasing the export of engineering goods to these countries we must identify the potential areas of our collaboration with their industrial plans. We have already made a beginning with long-term bilateral investment programmes with some of these countries.

The list of proposed collaboration proposals submitted to Iran includes a joint refinery in that country with a capacity of 25 million tonnes, expansion of the Madras refinery to six million tonnes along with a fertiliser plant and export of minerals, cement, textiles, sugar, jute and aluminium to that country. Starting a joint shipping company and the offer of consultancy and technical services for building infrastructure and economic development facilities are among the other important proposals. India has also arranged with Iran for soft loans for $370 million with interest at 2.5 per cent per annum. The loans are repayable in five years.

India has undertaken economic feasibility studies for a 530 km, railway project and a sponge iron plant in Iraq. India also proposes to have two plants for the building components. Indian experts plan construction of major public works and supply necessary equipment to that country. The Oil and Natural Gas Commission has obtained the right to tap oil in specific regions in Iraq. The Project and Equipment Corporation has a proposal to set up a Rs 500-600-million textile mill in that country.

The list of collaboration projects proposed in West Asia are given below :

Saudi Arabia: cement plant, steel plant, refinery, fertiliser plant and tannery

Kuwait: steel rolling mill, cable manufacturing plant, tyre plant, vegetable oils plant, expansion of cement plant, and a joint venture fertiliser plant.

Abu Dhabi : steel rolling mill.

Qatar : large building works, fertiliser plant, aluminium smelter plant and sponge iron plant.

Oman : building of roads, textile mill, cement factory and fertiliser plant.

Dubai : Steel rolling mill.

Iraq : railways project (Baghdadramandi-Al Qaim), steel rolling mills, electric power transmission facilities, ship-building, cotton textile mills, woollen textile mills, sugar factories, soda ash plant, wire and cable factory, paper mill expansion, aluminium project, fertiliser plant, storage tanks, pipelines and equipment for petroleum and chemical industries.

Thus, a beginning has been made with long-term capital investment. The short-term solution of the problems of financing

TABLE I

EXPORTS OF PRINCIPAL COMMODITIES FROM INDIA

(Rupees in millions)

Name of the commodity	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Tea	1236·0	1222·6	1288·2	1233·8	1246·5	1148·4	1584·1	1802·2	1565·1	1245·	1482·5	1563·1	1472·9
Jute mfrs incl twill & yarn	1351·5	1459·0	1495·3	1552·3	1682·3	1828·5	2494·5	2340·9	2180·1	2066·5	1904·4	2652·0	2499·6
Cotton yarn & mfrs	619·8	531·7	538·1	609·6	633·2	622·1	735·0	722·7	833·6	**933·7	974·6	942·6	1255·9
Cotton, raw and waste	115·6	195·7	164·8	165·0	141·1	112·8	175·0	193·8	157·0	177·7	164·0	183·0	246·6
Leather & leather mfrs	249·7	254·5	226·3	263·8	273·5	284·6	621·3	534·6	726·7	815·4	721·8	907·7	1745·1
Oils, vegetable, non-essential	85·4	58·2	131·5	199·3	70·5	40·9	28·3	39·6	117·1	49·5	70·3	75·7	246·3
Cashew kernels	189·1	181·7	192·7	214·3	290·3	274·0	455·2	430·3	609·3	574·2	520·6	613·3	688·2
Sugar (excl. molasses)	24·2	145·5	169·2	260·3	179·4	113·4	161·2	159·5	101·0	85·6	275·7	302·0	132·9
Tobacco, unmanufactured	146·1	140·5	179·9	210·9	248·8	195·8	215·2	348·5	331·6	327·1	325·6	450·8	638·7
Oilcakes (inc. defatted groundnut meal)	143·0	173·2	311·0	252·8	397·7	346·4	500·2	450·7	494·7	414·7	554·2	401·5	747·7
Coal	31·2	24·2	28·1	22·4	42·6	28·0	22·2	16·7	23·0	15·1	26·4	09·8	27·6
Machinery	30·0	34·0	37·9	42·8	64·7	79·7	112·5	145·6	272·3	385·9	441·6	434·0	546·5
Iron ore & concentrates	170·3	354·2	353·2	364·0	373·8	421·0	701·9	747·7	884·0	946·2	1172·8	1047·0	1097·9
Manganese ore	140·3	107·3	80·2	83·8	131·2	110·4	141·9	111·0	134·6	110·6	139·8	106·0	86·7
Mica	101·5	96·6	103·3	91·8	97·3	112·7	141·9	150·4	134·6	152·3	155·6	153·8	166·1
Total of all Exports	6602·2	6796·9	7136·1	7932·4	8163·0	8056·4	11565·3	11986·9	13578·7	14132·8	15351·6	16082·3*	19608·9*

**Since 1969-70 the figures relate to cotton piecegoods, and cotton yarn and thread.

*Includes adjustments for incomplete recording of exports to Bangladesh by government agencies in the initial stages of trade.

Note : Since 1966-67, the figures are given in post-devaluation rupees.

imports not only of oil but of metals and chemicals is one of boosting current accounts receipts. This has yet to be tackled.

Countries of the western hemisphere occupy a prominent place on our export map. The ministry of Commerce paid a lip service to these regions while charting its future pattern of exports. From the level of Rs 2,920 million anticipated for the year 1971-72 the export level to the seven Market countries of the EEC given in Table II is likely to increase to Rs 4210 million by 1974-75.

TABLE II

Exports to Seven Market Countries

(Rupees in million)

Country	1971-72	1972-73	1973-74	1974-75
Belgium	220	250	280	320
Federal Republic of Germany	350	400	480	580
France	220	260	310	370
Italy	220	250	280	320
Sweden	60	70	80	100
Switzerland	80	90	100	100
United Kingdom	1770	2050	2210	2400

Exports to the UK alone are expected to rise in 1974-75 to Rs 2400 million from Rs 1700 million estimated for the year 1970-71. The importance of this market would be evident from the fact that as much as 48 per cent of unmanufactured tobacco, 37 per cent of tea, 26 per cent of woollen carpets, 24 per cent of cotton piece-goods, 24 per cent of oilcakes, 24 per cent of coir manufactures, 21 per cent of leather and 21 per cent of sugar exported by India are consumed by the British market.

Table III shows our predominent dependence on the UK market *vis-a-vis* our exports to other countries.

An important task for our exporters should be to examine whether the sizable market in the EEC could be developed further for a large number of standardised labour-intensive products by taking advantage of the rising labour costs there and the GSP granted by them.

Amongst the many bright spots in India's export trade to the west, there are a few dark ones also. One such spot is the predominance of traditional exports. Table IV showing India's exports to the UK in comparison to Pakistan and Hongkong highlights this fact.

Out of our exports to Britain of Rs 1696 million, almost half was accounted for by Section 0 of the Revised Indian Trade Classification, 1965—food : Rs 838.8 million, whose major components are tea (Rs 604·8 million) and animal feeding stuffs, i.e. oilseed products (Rs 147.2 million). Section 1, tobacco, supplied a further Rs 166 million. Add in Section 2—various raw materials—to a value of Rs 132.8 million, and we reach the grand total of Rs 1136 million.

In short, two-thirds of our exports to Britain are virtually raw materials. This is an anomalous situation considering India's capability to manufacture sophisticated items.

During the first nine months of 1970, the US imported from Hong Kong clothing and accessories valued at $ 192 million compared to $ 106 million from Taiwan and only $ 2.3 million from India. As for electrical machinery, the US imported from Hong Kong goods valued at $ 105 million in January-September 1970 aga $90 million from Taiwan and just $ 219, from India in the same period.

TABLE IV

Comparative Study of India's Exports UK in 1970

(Rupees in millic

RITC Division	From India	From Pakistan	Fro Ho Ko
65 (textiles, yarn made-up articles)	257.6	198.4	33
84 (clothing)	19.2	3.2	79
7 (machinery, transport equipment, electricals etc)	38.4	12.8	12
8 (miscellaneous manufactures)	48.0	22.4	137
Total	1696	560	204

Whatever be the extent of competiti India is in a position to sell more in t west provided it gives greater attenti to regularity of supplies, quality and spe fications. We can also sell consultar services and increase the scope for jo ventures in the west. Projects with Indi collaboration have been set up in Cana the USA, the UK, Federal Republic Germany and Ireland. The field in whi such joint ventures have been initiated a undertaken by the Indian entreprene include oil engines, hard board, asbest cement, nylon bristles, textiles and lig engineering goods. These projects ha demonstrated that Indian business ent prise is as forward looking as that in t more developed countries.

TABLE III

Direction of Exports (Including Re-exports)

(Rupees in millio

S. No.	Name of the country	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
1.	United Kingdom	1725	1609	1645	1637	1673	1457	2024	2290	2015	1651	1704	1687	1725
2.	USA	1025	1157	1154	1299	1469	1478	2200	2074	2344	2380	2073	2631	2757
3.	Canada	176	176	222	212	175	203	310	298	297	263	280	403	282
4.	Germany, West	199	226	187	201	177	182	260	223	265	299	323	371	623
5.	Italy	93	112	117	113	100	85	155	178	181	129	140	242	469
6.	France	88	82	93	110	121	112	184	155	201	217	180	242	489
7.	USSR	288	322	383	521	779	930	1234	1218	1483	1764	2099	2087	3048
8.	Egypt	134	129	131	125	142	271	250	215	218	346	564	231	317
9.	Pakistan	103	95	95	72	98	49	Negl.	Negl.	Negl.	Negl.	Negl.	—	—
10	Australia	224	160	187	177	200	175	261	280	255	245	245	280	260
11.	Japan	353	559	441	589	609	571	1074	1359	1583	1794	2035	1823	2172
12.	Burma	66	53	51	64	64	36	37	38	97	209	140	108	44
13.	Bangladesh	—	—	—	—	—	—	—	—	—	—	03	430	1593
14.	Others	2128	2117	2430	2812	2556	2507	3576	3659	4640	4836	5567	5547	5840
	TOTAL	6602	6797	7136	7932	8163	8056	11565	11987	13579	14133	15352	16082	19609

WINDOW ON THE WORLD

Here and there in western Europe–IV

V. Balasubramanian

he German miracle survives—Stitch in time • Taking care of the rmer • Industry lives by productivity • Saving the community Doing business with the Soviets • In the aid league • Bonn d the petrodollars • Schmidt versus Strauss? • Reflation hen? • The other Germany • Dutch economy • Tough, trim and tidy

RLIER IN this account I had made a neral statement that "peace of mind one thing which western Europe does t know now" since its political pros- cts are as distracting as are its economic oblems. However, so far as West ermany is concerned, it has been able come to grips with its tasks in an ex- edingly impressive fashion. Despite lation or recession, the oil crisis or the onomic and political strains arising thin the Community, West Germany is w functioning from a position of eat economic strength and relative eco- mic stability. Its inflation rates of out seven per cent is the lowest among inflation rates of the major industria- ed countries, while it has managed to eserve some real elements of economic owth at a time when most of the major dustrialized countries are apprehensive zero or negative rates of growth. ain, in spite of the successive revalua- n of the DM and notwithstanding ective recession in some areas such automobiles or the construction in- stry, West German exports are conti- ing to boom, thereby embarrassing nn with accumulating riches of foreign rrency reserves.

What is the secret of this West German t for survival and strength during a period when such powerful economies as those of the United States or Japan have been taking a cruel beating? A large part of the answer of course is to be found in the human factor. The German people have an in-built horror of inflation. It could therefore be assumed that the government and the community will always cooperate with each other to correct the situation whenever inflation becomes a real threat. This in fact is what has been happening through much of 1973 and most of 1974. When therefore the oil crisis overtook the world economy towards the end of 1973 and the beginning of 1974, West Germany was better prepared psychologically and organizationally than most other industrialized countries for coping with the challenges of this development. Although—especially in 1973—the working people had been demanding and often securing higher wages for maintaining or even improving their standard of living in the face of inflation, industrial unrest was never allowed to develop to an extent where it would seriously affect production or cause real injury to the export sector. Wage disputes as a rule were being settled reasonably swiftly and generally in a spirit of compromise.

This has meant that the loss of working days due to strikes or other interruptions to the working of industrial plants has been kept to the minimum. As a result, one of the chief assets, which West German industry has in competing in world markets, viz, its superior ability to effect as well as offer early deliveries has been fully preserved. It is worth noting that almost all the 50 largest industrial concerns in that country were able to report higher gross turnover in 1973 as compared to 1972; in two cases only there was a decline in gross turnover but, even here, the fall was marginal. Consequently, industrial West Germany was psychologically well prepared to take on the problems of 1974.

constructive feature

Another constructive feature in the West German industrial situation is that its most resourceful firms are also leaders in the strongest areas of its export sector. Traditionally, automobiles, chemicals, machine tools and industrial machinery and electrical equipment have been the main contributors to West Germany's export trade. Although the automobile industry was beginning to feel in the course of 1973 the effects of the cyclical slow-down in the world economy and was subsequently to be confronted with the consequences of the sharp increase in oil prices, the chemical, engineering equipment and industrial machinery industries had no particular reason to fear any adverse turn in their fortunes. On the contrary, to the extent that West Germany's competitors in world markets have been less successful or efficient than West Germany itself in dealing with the problems of inflation or the oil crisis, these great export industries of West Germany are having an added advantage in world markets. Simultaneously West Germany's export opportunities have been protected or nursed by the vigorous measures taken by the government to explore new markets both in oil exporting countries with big money to spend and the Soviet Union and other communist countries hungry for capital goods from the industrialized west.

The West German economy has also drawn strength from the realism and flexibility of the government's economic policies. For instance, Bonn acted as early as in December 1973 to forestall the risk of a possible recession due to the increased cost of oil. Not only were selective measures taken to assist sectors experiencing difficulties but also the monetary policy was reviewed and relaxed to the extent necessary. Industry also cooperated by appropriate changes in pricing policies so that consumer demand could be maintained or even stimulated. In other words both government and industry in West Germany saw to it that inflation and risk of recession were both dealt with through a judicious mixture of macroeconomic as well as microeconomic strategies. The result is that, although prices have been rising in West Germany, they have been rising much slower than in other industrialized countries. Similarly, while the rate of economic growth has been declining in West Germany, it has been declining less fast than in other major industrialized countries. The net effect of these tendencies is that the West German people as a whole have been able to improve their economic circumstances relatively to people in other industrialized countries and, to a less extent, also in absolute terms.

* *

While industry remains the strong fighting arm of West German economy, its agriculture too is battling valiantly all along to become a viable sector. This battle, of course, is a continuing one and the end is not in sight by any means. The big problem for West German farming is manpower. Industry and the trades pay much better and the attractions of urban life are always compelling. This has meant that increasing amounts of social capital or community resources have to be ploughed into the countryside so that at least a minimum of manpower could be retained in the business of farming. The implications of this situation are important. West German agriculture is undoubtedly a protected occupation, but it is not its inefficiency that is being subsidized by the government or the community. The inherently superior productivity of the manufacturing and the tertiary sectors as compared with the farming sector in the context of full employment, necessarily demands that West German economy protect and subsidize its farming community if it desires to keep farming going at all. In the circumstances, West Germany has really no alternative to some degree of agricultural protectionism and the room left to it for manoeuvring is confined to the possibilities of controlling the cost of this protectionism by steadily improving farm efficiency through the rationalization of production methods. Incidentally, much of the farming subsidy is directly related to programmes for improving the efficiency of farmers or the productivity of farming. This has led to rationalization being as much a guiding principle in West German agriculture as it is in West German industry.

farm budget

In the Federal budget for 1975 a sum of DM 5.49 billion has been earmarked for agricultural purposes. This sum will be used in part to finance a series of schemes aimed at continued improvement in the overall agricultural structure, modernising individual farms or providing assistance in certain specific areas of farming. It is noteworthy that, out of the total allocation for agricultural purposes, as much as DM 2.4 million has been reserved for what are described as social purposes to which the Socialist/Labour Coalition in power in Bonn seems to attach great importance. In 1969, when this coalition took office, farmers, like other self-employed persons, were obliged to make private arrangements regarding accident or sickness insurance and old age pensions. Gradually, the social facilities and services available to farmers have been extended in order that the farmers may be brought on a par with other vocational groups in the community with regard to these facilities and services.

Agricultural and old age pensions have been increased several times over the past few years and a law due to come into effect in the new year provides for old age pensions being adjusted annually to developments in the wage and salary structure. Farmers over the age of 55, who have lost their livelihood as a result of structural changes, are entitled to a rehabilitation payment of DM 7,000. Elderly farmers, who pass on their holding to a successor, are entitled to a land-surrender pension. Every farmer who gives up his farm receives a premium of DM 500 per hectare of arable land leased on a long-term basis. Substantial tax relief is available to farmers for improving their farm capital. If West Germany treats its farmers well, it is because it realizes the socio-economic importance of this part of its population. Each farmer in the Federal Republic provides food for 37 persons while nine million gainfully employed people work in vocations closely related to agriculture. Finally, with its output running at DM 43.6 billion in 1973, West German agriculture was estimated to have incurred an expenditure equal to about half of that sum on the purchase of production and investment goods.

* *

In the ultimate analysis, however, the core of German economic strength is to be found in the research-oriented performance of its major industries, particularly those with an export bias. West Germ export supremacy in lines such as dyes a chemicals or machine tools is no accide Neither is it a matter merely of hard wo and organization on the factory flo Much of the credit goes plainly to t heavy West German investment in scien fic and technological research. I had opportunity last year to learn a little the pride of place given to research in su great industrial facilities as Hoechst a Bayer, the chemical and pharmaceutic giants which occupy the fourth and t sixth place respectively among the largest industrial concerns in the Feder Republic. The chemical industry is house with many mansions. It produc not only basic chemicals as the raw mat rial for other industries, but also ma products of its own, including plastic synthetic fibres, pharmaceuticals, dye paints and lacquers, fertilizer, soap, dete gents for laundering, cosmetics, suppli for the textile and leather branches, pest cides, plant protection compounds an photographic chemicals. The West Ge man chemical industry as a whole is spe ding on research about five per cent of i receipts from sales, with the pharmaceut cal subdivision devoting on the average full 10 per cent of its turnover to bas research and product development take together.

above average output

The output of the chemical industry i West Germany has been running at leve above average for industry generall From 1950 to 1964 the chemical industr increased its production by fully 360 pe cent, and over the next six years by anoth 80 per cent. This growth rate compare with the entire West German and Wes Berlin industrial growth rate of 210 pe cent and 40 per cent during the two res pective periods. Incidentally the mos vigorous rise in production has been re corded by the petrochemical sector, main ly through production of chemical fibre and synthetics (including plastics). Thi need not however mean that the Wes German chemical industry, in one of it more dynamic parts, has become particu larly vulnerable to the increase in the cos of crude, or other oil complications, pas or prospective, for it is clear that, give West Germany's firm and prominent com petitive superiority in this area of manu facture, the West German chemical in dustry may find it less difficult than it competitors to absorb the increases in it oil costs through higher productivity, o pass on some part of it to consumers i world markets.

* *

As the strongest and most stable na tional economy in western Europe, th Federal Republic of Germany has natu

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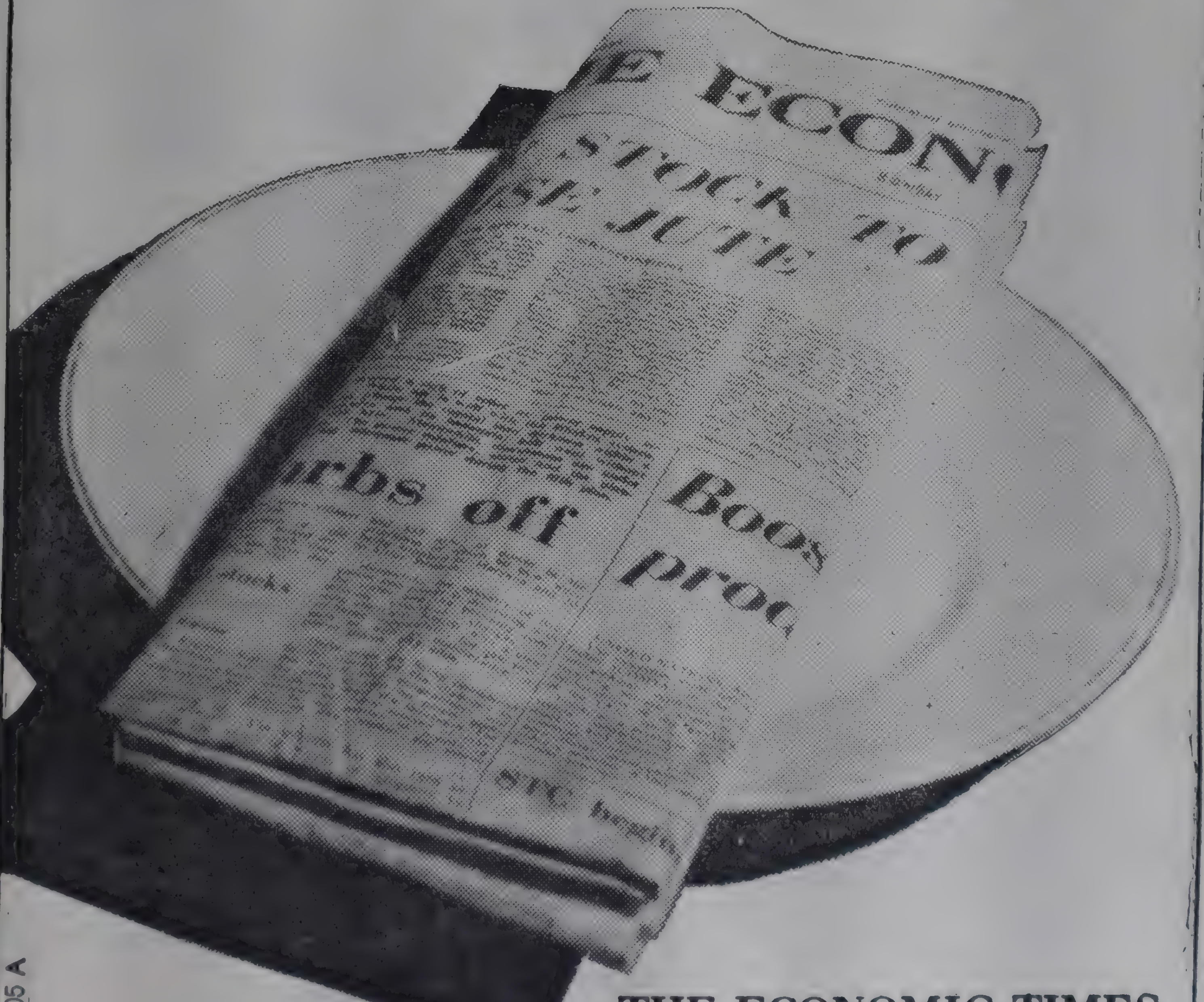

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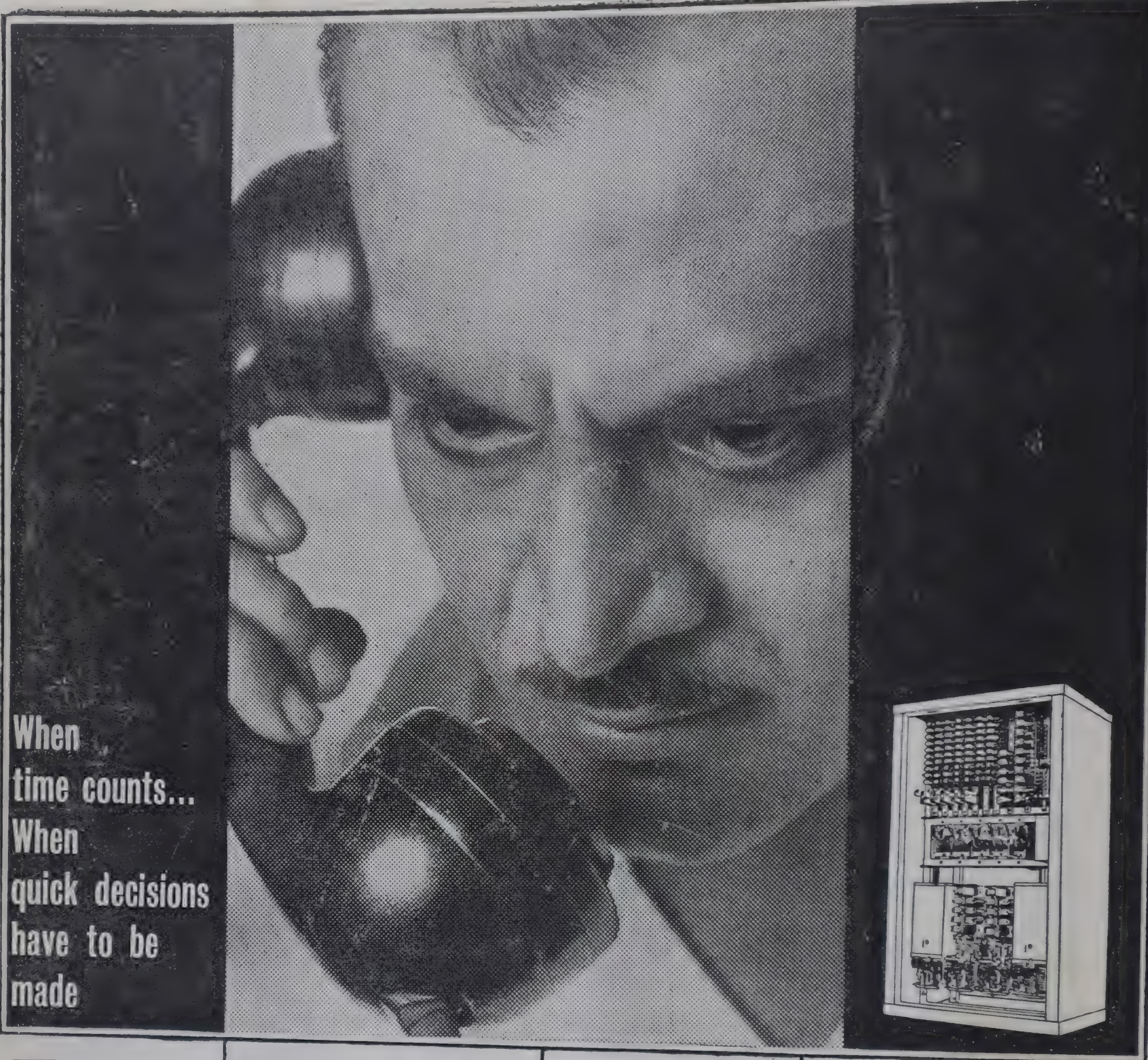

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lly profited vastly from its membership of e Community. In 1973, for instance, 35 er cent of West German chemical exports ere going to the other five partner-mem- ers of the EEC as it then was. Again, West ermany imports most from Holland, rance and Belgium-Luxembourg in that rder and exports most to France, Holland nd Italy in that order. Consequently it as been one of the major preoccupations f both Mr Willy Brandt and his succes- or, Mr Helmut Schmidt, to preserve, romote and persevere in the further integ- ation of the Community. This explains hy Bonn has been cheerfully bearing ore than its share of the economic urdens of its membership; for instance, ver 1963-73, Bonn had paid into the ommon Agricultural Policy Fund DM 4.9 billion more than it had received from or has been so prompt with its DM 2 illion-loan to the ailing Italian economy. bove all West Germany has shown it- elf to be particularly anxious to ensure hat Britain stays in the Community. In ll such matters as the British contribution o the Community budget or the Regional evelopment Fund Bonn has shown itself o be more than sweetly reasonable. gain, Mr Willy Brandt's thesis that the eaker members of the Community— eaker because of their higher inflation ates — should not be forced to share ommunity obligations equally with the ronger members is clearly designed to ccommodate the powerful British view hat Britain should re-negotiate the terms f its entry.

ffort at consolidation

West German industry has become firm- y geared to the market opportunities of ne Community and it may be expected nat Bonn will continue to make efforts t all levels to consolidate the enlarged ommunity and protect it from secession- st or disruptive forces and tendencies. Vhen therefore Chancellor Schmidt re- ently addressed the British Labour party onference, he took due care to see that e was both tactful and persuasive and that othing he said would add fuel to the fire f anti-Market sentiment in the United ingdom, particularly in the Labour party. ndeed, in working to keep Britain in the ommunity, Bonn may not hesitate to ake a stiff line with Paris should Chancel- or Schmidt conclude finally that resident Valery Giscard d'Estaing is isposed to be indifferent to whether Bri- ain stays or quits. It seems also to be the ase that the West German Chancellor ould only be too happy to avail himself of ny assistance or support the American resident, Mr Gerald Ford, may be able r willing to extend to him at the diploma- c level to persuade the UK government to follow what might appear to both West Germany and the United States as being the right course with regard to Britain's continued membership of the Community.

* *

In Bonn's current order of foreign policy priorities, the consolidation of the enlarged Community certainly seems to come first, Next, perhaps, is the maintenance of a dialogue with the Soviet Union regarding the continuing cultivation and extension of the area of economic and trade relations between the two countries. During the last four days of October Chancellor Schmidt and his Foreign minister, Mr Hans Dietrich Genscher discussed with Soviet leaders in Moscow a wide-ranging programme of intensified German-Soviet economic exchanges. One immediate result of the talk was the signing of an agreement between a consortium of German firms and the Soviet Foreign Trade Department on a third natural gas deal. This agreement provides for the deliveries of steel pipes worth DM 1.5 million by West Germany against Soviet supplies of 30 billion cubic metres of natural gas over a period of ten years. This followed another transaction negotiated a day earlier between a West German banking consortium and the Soviet Foreign Trade Bank for the financing of the purchase of nine million trucks by the Soviet Union from a West German firm. The Moscow talks were also concerned with the proposed construction of an atomic power plant in the Soviet Union by the firms of the Federal Republic. The negotiations envisaged the supply of electricity from the plant to the Federal Republic and, what was politically very significant, to West Berlin.

* *

Broadly speaking, West German policy, whether as an individual country or as a member of the Community, has been friendly towards and favourable to the developing countries. Bonn's development assistance philosophy attaches importance to both aid and trade. In both these areas West Germany has been steadily developing its interest and efforts. In 1973 West Germany imported from developing countries goods to the value of DM 23.9 billion —which marked an increase of 22 per cent in this trade—and exported to these countries goods worth DM 20.5 billion. It is being emphasized that these figures indicate a growth rate somewhat higher than the growth rate of West Germany's aggregate foreign trade. In the first half of the current year trade with developing countries showed further progress. Imports in this period, amounting to DM 19.3 billion, were 69 per cent higher than for the same period last year, while exports increased in value by 51 per cent to DM 14.3 billion. The share of the developing countries in West Germany's total imports rose to 22.3 per cent in the first half of 1974 as compared with 15.7 per cent in the same period of 1973. The share of West German exports going to developing countries rose corrpspondingly to 12.8 per cent as against 11.1 per cent.

In the case of developing countries such as ours which have a problem of trade deficits with West Germany, Bonn seems to be fairly keen on extending its cooperation in reducing or eliminating these deficits. It is often emphasized in West Germany that provided the Indian economy could generate sufficient export surpluses at competitive costs, the West German market may not be wanting in responsiveness to Indian efforts to move towards a balance of trade at rising levels of exports and imports. It is also felt that West German capital and, even more importantly, technology and know-how, could play a significant role in energizing the Indian export sector and industry generally in this manner and for this purpose. In this context some encouragement is derived from the fact that the latest figures of West German private investments in India show an increase during the first half of 1974 from DM 170.8 million to DM 172.6 million. Given the setback business activity has been experiencing in this country for some time now, some relief is felt that the investment of West German private capital in this country has not declined but has marginally improved. It is believed of course that the position could be very much better than what it is or has been.

food aid

In the critical area of food aid, West Germany is a party to the decision of the Community to supply India with one million tonnes of wheat on a priority basis. Of this quantity 150,000 tonnes are to be made available under the food aid programme of the Community for 1974-75. A similar quantity is to be provided as aid by the individual member states at the suggestion of the Community. The remaining 700,000 tonnes out of the total aid of one million tonnes will be delivered on a commercial basis. The Commission has further decided that India will receive £ 53 million out of the Community's UN Emergency Fund for the most seriously affected developing countries to pay for the shipping costs of the entire one million tonne consignment. With this the total EEC contribution will come to approximately 120 million US dollars, representing some 40 to 45 per cent of the f.o.b. value of the one million tonnes of wheat. The wheat shipments under this programme are about to start and it is possible that by the end of the year the first consignment of wheat for India would have left European shores.

West Germany provided food aid in 1973 to the extent of DM 246 million on a bilateral as well as a multilateral basis. This helped to raise the proportion of nutritional aid in the overall Federal Republic development aid programme from 5.5 per cent in 1972 to 8.4 per cent last year. Although the relative importance of food aid has thus increased, West German development aid policy itself is more interested in emphasizing forms of assistance which would help food-deficit countries to increase their own agricultural production and productivity. The West German federal minister for Agriculture, Mr Josef Ertl, for instance, told the World Food Conference in Rome that his government was planning to spend more than 400 million US dollars on agricultural aid in 1975. This would be in addition to the sum of over 100 million US dollars a year provided for specific food supply measures. The projected level of agricultural aid represents a doubling of the West German government performance in this field between 1974 and 1975. Mr Ertl emphasized that while his government would continue to make substantial contributions to programmes of emergency food aid, it believed that its development aid funds could be best put to work in supporting measures to broaden agricultural production in the developing countries and thereby promote world food security goals in a basic way. Incidentally, West German ideas on agricultural aid tend to stress investment in irrigation, a cause which our minister for Food and Irrigation, Mr Jagjivan Ram, pleaded at the World Food Conference in Rome.

* *

West Germany's attitude towards the "oil billions" of the Middle East producers of crude has several interesting facets. It is claimed that the West German economy itself has no need of this money and that, on the contrary, any substantial inflow of oil money in the form of short-term deposits in German banks could only cause avoidable embarrassment to the West German balance of payments. Large-scale investment of oil money on a long term basis in German industry, commerce or real estate is considered positively undesirable. It is true that the government of Iran some time ago bought itself into the Krupp's steel subsidiary to the extent of 25.04 per cent by investing a sum between DM 200 million and DM 300 million, with a possibility that the stake might be increased in the future. It is true again that Kuwait has more recently made an even more spectacular inroad into prestigious areas of German industry by acquiring a 15 per cent interest in Daimler Benz making an investment of the order of DM one billion in the capital of that firm. Sentiment, however, is running strong in West Germany against such transactions becoming a general rule and the view is therefore held that Bonn should actively participate in international arrangements for the orderly recycling of oil money. One way in which West Germany would certainly like the Middle East oil producers to use their new-found wealth is their utilizing the resources of German industry for developing their domestic economies. More particularly, industries in West Germany, whicy are experiencing some recession in demand for their products, are naturally keen on export markets for their products in the Persian Gulf countries. Thus Bonn has welcomed indications of Iran's interest in placing contracts with the West German construction industry — in which there are 40,000 unemployed at present— to build 100,000 modern dwellings in Iran in the next few years. If this business goes through, it will have the intriguing consequence of a considerable number of West German construction workers going to and living in Iran as "guest workers."

use of oil money

Spokesmen of West German government have also suggested that one of the better ways in which the oil billions could be used is to employ them in the business of development assistance. Some time ago, at a high level meeting of the Development Assistance Committee held in Paris, the German federal minister for Economic Co-operation, Mr Egon Bahr, asserted that the burden of responsibility for development would hereafter have to be shared with the industrialized countries by the "new-rich" members of the Organization of Petroleum Exporting Countries. He said that the sum of US $8 billion named at the start of this year by the World Bank's President, Mr Robert McNamara, as the amount by which development aid ought to be increased, had become a practicable and even modest target in the light of the spectacular rise in the revenues of the oil producing countries, Saudi Arabia alone, for instance, being in receipt of 26 billion US dollars. Mr Bahr felt that the participation of oil money in development aid had become all the more important and pressing because the current or prospective world economic conditions were fast imposing a limit on the extent to which the industrially advanced countries could undertake additional responsibilities for assisting developing countries, particularly those which had been hit in their econo growth as well as in their balance of ments by the consequences, both di and indirect, of the four-fold increase oil prices.

* *

I happened to watch on TV at a W Berlin hotel the results of the state e tions held in Bavaria and Hesse in the week of October. There were se others who were similarly occupied. Th of them were natives and I was struck the fact that all these three seemed to come the humbling of the Social De cratic Party (SPD), the major partner the coalition government in Bonn. Q evidently, it is as difficult for a party power to retain its popularity as it is the proverbial camel to pass through eye of a needle. The elections added the majority of the conservatives alrea in power in Bavaria and improved th strength in Hesse where, however, coalition of Social Democrats and Free Democratic Party (FDP) continu to be in power but with a reduced m jority. The results, particularly the Ba rian, were a personal triumph for H Strauss, chairman of the Christi Democratic Union (CDU) and, by same token, a personal defeat, perha for Mr Willy Brandt, chairman the SPD, who campaigned vigorously f his party, particularly in Bavaria. more impersonal terms it did indicate so disillusionment with the handling of t nation's economic problems by t Federal Chancellor, Mr Helmut Schmidt

West Germany's no doubt remains t strongest national economy, not only western Europe but in the world at larg Its people are among the most affluent the western world and its currency, f and away the strongest in the world's e changes. All the same, its people had b gun worrying for some time. Inflatio restrained at about seven per cent, is pe haps well within the tolerance limits eve of a people so scared of inflation as th Germans, but some of the very measure taken by Bonn to keep inflation unde control seem to have combined with downturn in the export demand for pro ducts of some major West German in dustries, notably automobiles, to brin about a fall in employment in certain sec tors of the economy. There have also bee lay-offs in the textile and construction in dustries besides the automobile industry The resultant discontent has come on to of a much wider questioning mood which has been steadily infiltrating the Wes German middle class, which means o course most of the West German people.

This mood has had its seeds in a feelin that small sections of the nation are per

os living far beyond the means of large
tions in the rest of the community.
the period since the first Brandt govern-
nt came into power in 1969 West Ger-
ny has no doubt been devoting increas-
attention to putting more national
alth to work for social purposes; but
s trend seems to have only whetted the
petite of the people for much more of
same. In any case, although the more
lent or destructive forms of social
otest as symbolized by the depredations
stray anarchist gangs such as the
torious Baader-Mainhof group, need
t be taken more seriously than as the
minal acts of terrorism that they un-
ubtedly are, there is no making light of
possibility that even affluent West
rmany may be harbouring social ten-
ns which can possibly become serious
strains begin to show in the performance
its economy. Many observers there-
re think that there were sound political
d social reasons for the government to
rt thinking in terms of a policy of re-
tion which would help protect jobs in
est German industry. It is felt, how-
er, that even if Bonn itself decided to
flate sooner rather than later, objective
rld economic conditions may not en-
urage it to do so much before the latter
lf of 1975.

xternal pressure

Meanwhile there is tremendous exter-
l pressure on Bonn to do something and
it early to halt West Germany's mount-
g trade surpluses. During the first six
onths of the current year the trade sur-
us at over DM 25 billion was almost
uble the figure in the same period last
ar. For the first eight months of the
ar, the trade surplus standing at DM
.80 billion was almost equal to the sur-
us for the whole of last year which
elf was a record DM 32.98 billion. For
e month of September 1974, the trade
rplus totalled DM 4.1 billion, a figure DM
0 million higher than in August and DM
0 million more than in September 1973.
is brings the total trade surplus for the
rst nine months to DM 36.9 billion
ainst DM 22 billion in the same period
st year.

In the first half of the year exports had
creased by 31 per cent, while imports
d risen by 19 per cent. Even within
est Germany the question is therefore
ing asked whether countries such as
ritain, Italy and even Japan have any
ospects of reducing their respective
ade deficits unless some equilibrium is
rought about in international trade
rough West Germany and the United
tates bringing about planned reduction
their respective trade surpluses. What may clinch the issue in Bonn itself, however, will be the statistics of the domestic labour market as they may emerge in the coming months. Recently experts from five top West German economic institutes expressed the view that the number of unemployed in West Germany could reach the one million mark this winter. The average unemployment level for 1974 is expected to be around 600,000 to 650,000, while next year the number of unemployed may rise to around 750,000. The figures show that, in the EEC as a whole, there are currently about 3.3 million unemployed. As against this the number of the unemployed was 557,000 in West Germany in September — an increase of 30,000 during the month. This represents a rise from 2.3 to 2.4 per cent of the total labour force. Particularly hard-hit are foreign workers, 66,800 of whom, or 2.6 per cent of their total number, were unemployed in September. Women workers have proved to be another vulnerable group. Last month the Bundesbank relaxed its tight money policy somewhat by lowering the West German Bank Rate from seven to 6.5 per cent. Interestingly enough, even as this announcement was being made, West Germany's balance of payments statistics showed a preliminary DM 1.1 billion deficit in August, caused mainly by the outflow of capital, both long-term and short-term. This compared with a deficit of DM 774 million in the previous month and an inflow of DM 1.2 million in August of last year.

* *

Time was when it was almost a prescribed ritual for a visitor arriving in West Germany to go and gaze at The Wall. Although The Wall remains a searing thorn on the side of West Germany, it has now become routine for visitors to take The Wall for granted and go through East German security procedures for entering East Berlin and spending a day or a part of it going round that city. These procedures, I am glad to say, are much less elaborate and much more relaxed than they were when I last had experience of them which was quite some years ago. Indeed the arrangements at the Friedrichstrasse underground station at the East Berlin-end were quite smooth and swift-paced. This was a welcome introduction to a very pleasant forenoon, which I spent mainly sightseeing in and around Alexander Platz in East Berlin.

In this neighbourhood — the *centrum*, as it is called—the visitor meets with a spate of indications of the long way the economy of the German Democratic Republic has travelled in building itself up. East Germany has certainly moved well into the fun and froth as well as the style and substance of a consumer society. The goods on display at the East Berlin versions of the super market or the departmental store were often as remarkable for their quality as for their range. The place was buzzing with shoppers when I was there and the men and women were buying freely, while there was no end to families enjoying themselves with their children as they devoured pastries at one or other of the excellent coffee shops scattered over the area. Incidentally I ate my least expensive European chicken at the Alexander Platz in East Berlin.

This tempts me to remind myself that years ago, when it was the fashion to predict a very early economic doomsday for the German Democratic Republic, I hazarded to write in this journal, after spending about a fortnight in East Germany, that this country was on its way not only to economic viability but also a spacious future as a major trading nation. My grounds were, besides the character of the German people which is the same whether in West Germany or in East Germany, the tremendous attention which was being given by the German Democratic Republic to the technical education of its young people and the provision of basic human necessities such as reasonable housing. I am not suggesting that East Germany is now in the same world class as West Germany in the matter of economic performance. It is of course true that so far as conspicuous consumption is concerned, there can be no real comparison between East Berlin and West Berlin. However, once a community has managed to attain a certain level of economic self-reliance and well-being, it begins to matter less and less how much less well off it is than some other community which may be very well off indeed.

In my view the economic progress of East Germany is an impressive illustration of the fact that, where the human element itself is sufficiently worthy, it could prevail against odds, political or other. In other words, I am not persuaded that East German economy has made good because of its communism or its brand of it, but I am convinced that, given the right human material, even communism need not be an insuperable barrier to economic progress. In this sense there is not — and there never has been—much point in pitting West Berlin against East Berlin in a context to prove the relative merits of rival political ideologies or systems.

* *

The Deutschemark, the Swiss Franc and the Dutch Guilder are currently the strongest currencies in the world. This is more than merely international monetary statistics. You see it in the life of the people and even in their faces. At about this time last year The Netherlands briefly was almost in the state of a beleagured economy, but the Arab ban on shipments of their oil to that country proved to be a case of the bark being worse than the bite, thanks to the logistics of the international trade in oil. As a matter of fact, the crisis, such as it was, through which The Netherlands passed, proved to be an excellent opportunity for that country demonstrating to itself and to the rest of the world the immense stability of its economic structure. Dutch agriculture is one of the most efficient or optimally diversified farm sectors in Europe, or indeed the world. To this is added a strong and highly competitive industrial structure. It is not an accident that The Netherlands is one of the foremost trading partners of that other strong west European economy, viz, West Germany. Once again I am forced to conclude that it is the human factor which counts in the economic performance of a country. *The Economist* (London) has just referred, perhaps sneeringly, to the Dutch role in Brussels as "the conscience of the Community", the provocation being that The Netherlands has always been demanding that much more should be done for the developing countries by the Community in its aid policies. It seems to me that a streak of idealism particularly becomes the Dutch, who are basically so practical a people. The Flying Dutchman, surely, is a myth in more senses than one, for the Dutch have their feet planted firmly on the ground.

I must confess that I did not stay long enough in that country to gain personal impressions of the present state of its economy in any great detail, but the time I did spend in Amsterdam and Rotterdam has left me with the feeling that The Netherlands is one of those countries which is more likely to be able to cope with the next turn or twist in the world's economic course than most other coun ries. The Dutch are an amazingly wel organized community. They seem to lea little to chance and even less to fate. Tak for instance, their hotels. When one told that "they" speak English in t hotel where one is going to put up, o may safely assume that they do. The hot where I stayed even had girl guest-worke from good old UK running the breakfa service. Incidentally The Netherlan seems to draw its foreign workers not on from the south but also from other par of western Europe. Again, as is to be e pected of a country so open to the world navigation, it has become second natu with The Netherlands to play host people from all parts of the globe that language is rarely a barrier to vis tors seeking to make themselves at hon or merely wanting to find their way abo the place.

(*Conclude*

EEC tariff quotas from developing countries

London

Jossleyn Hennessy

I

Not as Good as They Look

THE EUROPEAN Community's general tariff preferences for the developing countries brought in on July 1, 1971, have been changed several times, but the increases in the tariff quotas have been minimal. Textiles apart, major concessions had to wait until 1974 when the new member states adopted the preferences. However, the rate of utilisation, at about 50 per cent overall, suggests that the way the tariff quotas are handled prevents the developing countries from fully using them.

The European Community allows the countries of the third general tariff preferences for industrial products under category 25 to 99 of the Common External Tariff (CET). (The processed agricultural goods covered in category 1 to 24 are largely excluded from preferences, in line with EEC agricultural policy and are not covered here).

The preferences cover all industrial products, thus constituting the most comprehensive concession ever granted to the developing countries by the western industrial countries, almost all of which — except the USA — have now followed the UNCTAD recommendation for granting the developing countries unilateral tariff concessions. (Of the tariff headings of categories 25 to 99, the general preferences exclude six products regarded by the EEC as processed agricultural goods, all basic industrial goods on the list of the UNCTAD secretariat, and all metals up to the ingot stage).

The general tariff exemption is however, subject to certain limitations, partly geographical; thus the group of beneficiary countries varies according to the category of goods, and partly on the type of quantitative limit on imports, which varies according to the "sensitivity" of the goods. (This depends on how "sensitive" European manufacturers of those products react to competing imports).

The preferential treatment of imports of industrial products (excluding textiles and footwear) the largest group of goods, extends to all independent developing countries as well as EEC member countries' or third countries' dependent territories. Preferences on the import of cotton textiles were extended only to those independent developing countries which signed the long-term agreement on international cotton trade or took on equivalent obligations. (The Cotto Agreement ran out in December, 197 For 1974, preferential treatment of th former signatory countries was grante on the assumption that "the countries i question will take steps to guarantee tha equivalent targets will be met, at least i 1974)".

The tariff concessions on th import of textiles (excluding cotton tex tiles) and footwear apply only to the in dependent developing countries; thi means that one big supplier of such pro ducts, Hong Kong, does not enjoy thes preferences. Preferential imports wer initially limited to the cif value of import in 1968 from the beneficiary countrie (basic quota) plus five per cent of th cif value of imports from the remainin countries (supplementary quota) in 1968 with a view to increasing the supplemen tary quotas in line with the annual tren in imports. The total of this supplementary quota amounted to more than th basic quota, i.e., the EEC's imports from the developing countries enjoying preferential treatment came to less than fiv per cent of its total imports of industria products. (However, this relation doe not apply to every individual product).

Industrial products in all three categories enjoying tariff preferences are divide

: (1) sensitive, (2) quasi-sensitive and non-sensitive products.

ensitive products make up the bulk of EEC's imports of industrial products m developing countries enjoying preential treatment. They accounted for per cent of imports while the share of asi-sensitive goods was 11 per cent and non-sensitive products 26 per cent.

he import of sensitive products is ulated by Community tariff quotas ich can be increased every year. When respective quota has been exhausted, old rate of duty is automatically retated. The quasi-sensitive goods are bject to ceilings. They are specially nitored; when they are exhausted, the mmission in consultation with the mem- states, decides whether the old rate of ty is to be reinstated. Ceilings are also ed for non-sensitive goods, but their gree of utilisation is checked only ainst current import statistics.

nsitive items

The restrictive handling of imports of nsitive goods — repeatedly attacked by e developing countries — and their partilar importance within the framework of eferential imports suggest a closer anasis of the way Community tariff quotas r sensitive goods have been arranged and veloped.

Community tariff quotas make up the amework for the preferential imports sensitive goods. In order to protect mestic industry in the EEC countries, ere are also provisions for dividing up e total quota among individual member untries. These quotas are calculated cording to general criteria such as exterl trade, gross national product and pulation. The quota worked out for est Germany, for example, is 27.5 per nt as of January 1, 1974. Individual member countries' share of the community tariff quota were fixed as given in Table. I.

TABLE I

are of Individual Member Countries in Community Tariff Quota

(In percent)

Country	Up to 1973	Since 1974
est Germany	37.5	26.5
enelux countries	15.1	10.5
rance	27.1	10.0
aly	20.3	15.0
enmark	—	5.0
eland	—	1.0
itain	—	22.0
	100.0	100.0

To prevent the more advanced of the developing country beneficiaries from using up the Community quotas at the expense of the rest, there are so-called blocked or buffer amounts up to which a developing country beneficiary can take advantage of the tariff quota. As a rule, these amount to 50 per cent of the respective quota, for textiles 20 to 30 per cent. In practice, however these blocked amounts often benefit the producers in the industrial countries. This happens when there are only a few potential suppliers among the developing countries so that there are no further imports once the blocked amounts have been used up.

The three categories of goods have very different shares in the EEC tariff quotas for sensitive goods:

	(Per cent)
Industrial products (excluding textiles)	60
Cotton textiles	5
Textiles (excluding cotton textiles) and footwear	35

Depending on the category of goods, there are variations from the "norm" in the way the tariff quotas for individual headings are calculated, again to the benefit of domestic industries. For some products no supplementary quota was set, or was pitched below the "norm" of five per cent. This affected 35 per cent of the total quota value for industrial products (excluding textiles); but since this covers mainly oil (excluding crude), it does not mean any great disadvantages for those for whom the preferences were actually intended. Another exception concerns veneered wood and plywood; at the request of the associated African countries, imports from this area were not counted towards the supplementary quota. For two other headings in this group, China and mounted transistors, the supplementary quota was, in view of Hongkong's strong competitive position, fixed at one per cent. Additionally, for the overwhelming majority of all tariff headings, the imports from individual developing countries were limited not to 50 per cent of the EEC quota, as laid down in the rules, but at 20 per cent.

For cotton textiles, more than 85 per cent of the total quota was fixed without supplementary quotas. This means that the tariff exemption within the quota framework, which in any case benefits only the signatory countries to the Cotton Agreement, perpetuates the *status quo* of 1968. These quotas therefore limit the supply of duty-free goods, to the benefit of domestic industries but at the expense of domestic consumers. Competition between the relatively small number of supplier countries is also effectively limited by the blocking clause which in this category (with one insignificant exception) is generally around 30 per cent.

For textiles (othert han cotton textiles) and footwear around 20 per cent of the quotas, were also fixed without supplementary quotas; as a rule the blocking clause is around 30 per cent.

II

Development of Tariff Quotas

After the introduction of the general tariff preferences in the second half of 1971, the scope of EEC tariff quotas, and particularly of the number of goods classified as sensitive, was repeatedly changed: however, the total number of headings in this category in 1974 was, at 77, hardly any smaller than in 1971.

TABLE II

Sensitive Goods

	1971	1972	1973	1974
Industrial products (excluding textiles)	44	52	53	44
Cotton textiles	15	17	14	17
Textiles (other than cotton textiles) and footwear	21	22	22	16

Among the tariff headings now liberalised, oil (excluding crude) has the biggest weight among industrial products. A few insignificant cotton textile headings were liberalised in 1973, but these had been of minor importance to the beneficiary countries. As for other textiles, the degree of utilisation of those quotas which were removed in 1974 had also been particularly low.

The options provided by the preference system for raising tariff quotas in favour of developing countries were used to a very variable degree. Thus the tariff quotas for textiles were raised by little, apart from the expansion of preferences provided by the new member states this year. This increase was insignificant partly because if no supplementary quotas are used there is no quasi-automatic increase in quotas either. For cotton textiles the tariff concessions granted by the original EEC countries have actually deteriorated since the number of countries entitled to benefit by signing the Cotton Agreement or accepting equivalent obligations has risen from seven in 1971 and 1972 to 12 in 1973 and 15 in 1974. On the other hand, there were more concessions from the old member countries for industrial products (excluding textiles) and for footwear in 1974. (Table III)

TABLE III

How the Tariff Quotas have Risen[1] in Member Countries

(In per cent on the previous year)

	1972	1973	1974	
			old only	old & new
Industrial products (excluding textiles)	5	7	93	168
Cotton textiles	0	1	5	50
Textiles (other than cotton textiles)	0	1	5	50
Footwear	7	3	97	182

(1) This includes only those tarifi headings subject to quotas in all the years covered.

The degree of use of total tariff quotas has improved in all product categories since the preference rules were introduced, but overall use, estimated at less than 50 per cent, remained unsatisfactory. A precise calculation of the overall degree of use is not possible since some of the data are published in value terms (Units of Account) and some in quantitative terms (tons). Up to now, data are available only for the first half of 1973. At that point the degree of use was already about as high as at the end of 1972, but this share is unlikely to have doubled for 1973 as a whole since the blocking clauses are often reached in the first few weeks of months of the new year and after that the degree of use rises only slowly. However, it varies considerably between items; for a few it rises to 90 per cent or more, while for others it sticks at zero.

The degree of use in 1972 was highest for cotton textiles with their limited number of suppliers, (75 per cent). It was lowest for other textiles at 35 per cent (first half 1973; 40 per cent); the footwear figure was 50 per cent. Cotton textiles were the only category where the degree of use in the first half of 1973 at 56 per cent, was lower. This is because the figure listed here is the annual quota which, however, was released in two instalments; the EEC tariff quotas for the fourth quarter were not released until after the Common Agreement had been extended. Over 40 per cent of the quotas for industrial products (other than textiles) were taken up in 1972 (first half 1973: 46 per cent).

The low degree of use of EEC tariff quotas begs the question whether and to what extent the distribution of EEC tariff quotas between the individual member countries and the blocking clauses are responsible. There are indications that the blocking clauses make a higher degree of use more difficult, if not impossible. Between July 1, 1971, and April 30, 1974, developing countries reached the blocking amounts in 127 cases with supplies of industrial products (excluding textiles); with cotton textiles, this happened 36 times, with other textiles and footwear, 37 times. But in all three categories, that still adds up to less than a fifth of all theoretically possible cases.

blocking clauses

Leaving aside the cotton sector, where the group of beneficiary countries is determined by the Cotton Agreement, it is almost entirely those developing countries that are already most highly industrialised which are able to make use of EEC preferences but which are prevented by the blocking clauses from using up the total quotas. Nor does the arrangement seem to be of much use to the less industrialised developing countries or newcomers to foreign trade in industrial products for whose protection they were intended: in the three years since the preferences were introduced there has been virtually no change in the list of countries which used individual quotas up to the blocked amount. However, no statistical data are published on the use of quotas by individual developing countries as long as it remains below the blocked amount. (Table IV)

Whether the distribution of the quotas between the individual EEC member countries has a similarly restrictive effect depends on how far the developing countries succeed in switching to the other markets once their quota share in one EEC country has been exhausted. The developing countries most likely to be able to do this are those which already have traditional trading links with several European markets and can therefore be flexible. At any rate, since the preferences were introduced the number of cases where an EEC country reinstated the old tariffs because its share of the EEC tariff quota was exhausted has gone up drastically in all member countries.

The degree of quota utilisation varies considerably between the individu countries.

It is difficult to assess to what extent t different degrees of use reflect differences the handling of the quotas and how f the quotas, which as a rule are determine unformly for all products according to general criteria, do justice to conditions in individual markets.

TABLE IV

Number of Tariff Headings where the Blocked Amount was Reached

(July 1, 1971, to end-April, 1974)

Country	Number of tari headings
1. Industrial Products (excluding textiles	
Hongkong	54
Yugoslavia	34
South Korea	10
Singapore	7
Macao	4
Argentina	3
Brazil	3
Mexico	3
Philippines	3
Malayasia	2
Dominican Republic	1
Colombia	1
Trinidad and Tobago	1
Uruguay	1
Total	127
2. Cotton Textiles	
India	11
UAR	8
South Korea	6
Pakistan	5
Colombia	4
Mexico	2
Total	36
3. Textiles (other than cotton) and Footwea	
South Korea	16
Yugoslavia	11
Iran	6
Algeria	1
India	1
Mexico	1
Pakistan	1
Total	37

Source: Commission information, in Official Journal of the European Communities, series C.

At any rate, the low degree of use for individual products, as well as in different member states, suggests that if the developing countries' demand for abolishing the member countries' quotas and doing ay with the blocking clauses were met at could indeed contribute to better ota use. The following measures could adapted to the circumstances for indi- dual goods: (1) tariff headings for which e blocked amounts had not actually en reached in the previous year should entirely released from the quota sys- m; (2) for tariff quotas where the degree utilisation was lower than 60 per cent, e blocked amounts should be raised or where there is only one supplier country abolished altogether. (Table IV)

This demand seems reasonable, not ast because the size of the quotas was xed with the European manufacturers in ind in the first place. But the develop- g countries would benefit even more if e Commission managed to get its way ver its latest proposals for a drastic re- uction in the number of products sub- ct to quota for 1975. Failing that, all uotas might be raised by a sizeable mount. The fact that again these improvements would benefit only the rela- vely small number of developing countries at are already fairly highly industrialised an inescapable part of the limitation of references to industrial products. So r, however, these countries do not seem have prevented those less developed from enjoying the preferences; rather, the poorer developing countries need, to a greater extent than up to now, other kinds of help even to put them into a position where they are able to supply the European markets on a reasonable scale.

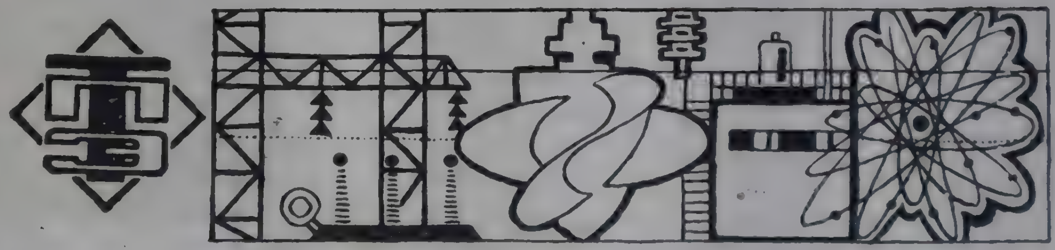
Sources and acknowledgements: The foregoing summarises a special report in the latest issue of the *Economic Bulletin* of the Deutsches Institut fur Wirtschaftsforschung (Koenigin Luise Str., Berlin 33) but the DIW is responsible neither for the emphasis of my summary nor for my interspersed comments.

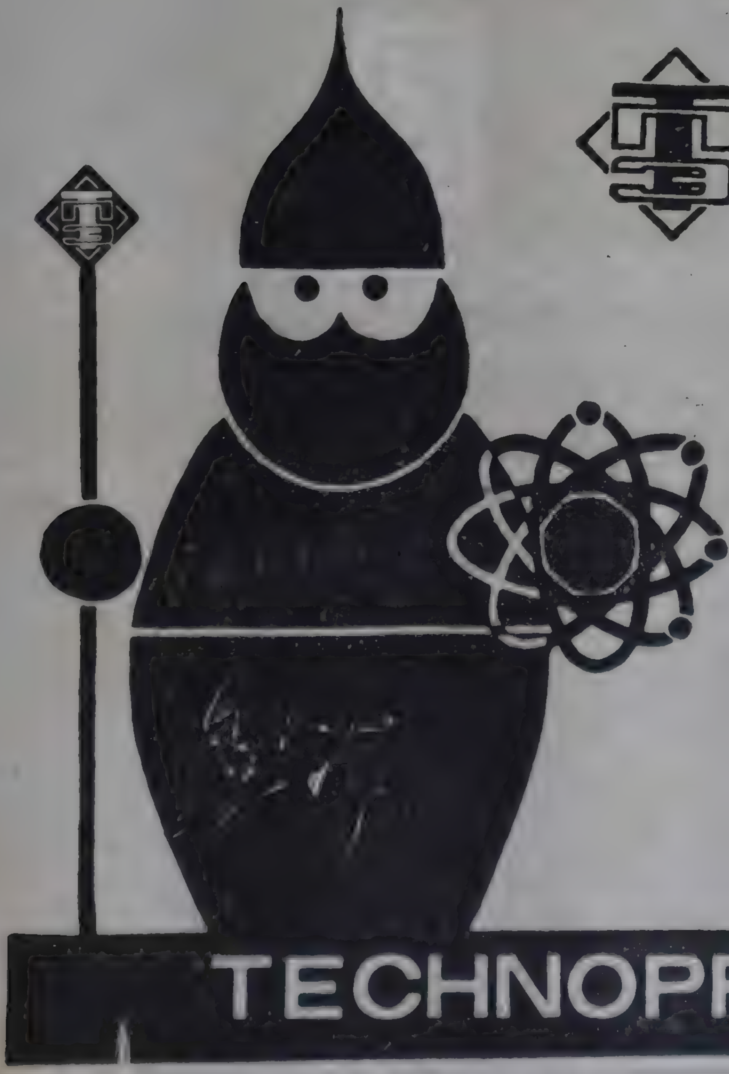
TABLE V

Quota Utilisation in the EEC Countries

Country	Year	Industrial products (excl. textiles)	Cotton textiles	Textiles (other than cotton)	Foot-wear
		Shares in per cent			
West Germany	2nd hf. 1971	44	53	24	63
	1972	43	57	41	55
	1st hf. 1973	42	50	39	79
Benelux	2nd hf. 1971	22	31	20	60
	1972	28	73	31	47
	1st hf. 1973	38	83	29	47
France	2nd hf. 1971	15	44	5	42
	1972	20	76	5	47
	1st hf. 1973	19	78	20	44
Italy	2nd hf. 1971	58	60	19	3
	1972	60	80	37	43
	1st hf. 1973	42	87	26	7

Source: Commission of the European Communities, Com (73) 1,800 also published as session document of the European Parliament, No. 243/73.





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Mobilising farm resources

gricultural Taxation and Intersectoral Resource Transfers : Stephen R. Lewis, Jr.; Stanford University, Stanford, California, USA; Pp 93-114; Price $1.

conomics of Television in India : B. D. Dhawan; S. Chand & Co. (Pvt) Ltd, New Delhi; Pp 182; Price Rs 35.

he Oil Crisis : S. Manoharan; S. Chand & Co (Pvt) Ltd, New Delhi; Pp 180; Price Rs 25.

nvestment, Interest and Monetary Policy in India : L. M. Bhole; University of Bombay; Pp 154; Price Rs 36.

Planning in India : H. V. R. Iengar; Macmillan (On behalf of the Institute for Financial Management and Research, Madras); Pp 84; Price Rs 16.

Dissertations in Economics 1921-71 : Edited by C. H. Shah; Department of Economics, University of Bombay; 1974; Pp 672; Price Rs 60.

Agricultural Taxation and Intersectoral Resource Transfers is a book containing an article reprinted from Food Research Institute Studies in Agricultural Economics, Trade, and Development. In this article the author has dealt with problems such as the role of agriculture in the process of growth, the purposes of making resource transfers from agriculture and the instruments that can be used to tax the agricultural sector directly or indirectly. After examining some of the recent changes taking place in this field in some of the developing countries, he has also put forward proposals for a better system for taxing agriculture and transfering resources from it.

According to the author the techniques of taxing the agricultural sector in less developed countries (LDCs) have changed little during the last decade or so, in spite of a number of changes in conditions facing many LDCs, particularly those associated with rapid productivity gains of the green revolution, urban and rural employment and related socio-political problems. In view of this, the author feels that the discussion of appropriate devices for taxing agricultural sector assumes great significance.

Much attention has been devoted in LDCs to the adverse effects on output and employment in non-agricultural sectors from the distorted set of prices of internationally traded goods. It has also come to be emphasised that both farmers and industrialists have been reacting fairly rapidly to price signals, implying that the government therefore will have to be very careful in evolving its price policy. As a result of the difficulties encountered by some countries using 'price-distorting' policies to achieve the desired model of growth, a number of countries have removed some of these distortions, particularly adjusting the price of foreign exchange to reduce the bias in favour of import substitution and against exports.

The author is of the opinion that it is now time to warn that "distortions of the prices of major agricultural commodities away from international trade opportunity costs may be even more dangerous on its short-run balance-of-payments implications than distortions within the manufacturing sector due largely to the relative importance of agriculture in production of tradeables." The author is of the opinion that the danger is particularly serious in countries undergoing rapid productivity changes in agriculture and if the existing exchange rates do not correctly reflect the value of foreign exchange to the economy, necessitating a huge subsidy to keep the agricultural prices above the world prices at the official exchange rate with vast implications for government finance. The author has rightly emphasised that inappropriate choices made in the agricultural sector would create more serious problems of employment in LDCs rather than inappropriate choices in the small, modern manufacturing sector where just around 10 per cent of the working population is employed.

According to the author, there is substantial scope in great many LDCs for government intervention through the tax system both to increase tax revenue and to improve the allocation of resources by devising the price policy. Some of these changes in tax rates would directly strike at prices paid by some or all the farmers for goods which they purchase. Others would reduce the rates of protection being received by the non-agricultural sectors which would lessen the burden at present borne by agriculture in subsidising non-agricultural sectors. The author feels that rapid productivity increases in agriculture in some of the LDCs would make it much more feasible for agriculture to bring about a rising amount of resource transfers to the government and to non-agricultural sectors. But the author has rightly warned that "a movement away from some of the policies of price distortion among internationally tradeable goods is necessary, if the gross transfers from agriculture are to be effective in raising growth rates of output and employment in non-agriculture and sustaining agricultural growth itself."

It is unfortunate that the lessons of the two-sector growth model of W. Arthur Lewis were not properly absorbed by our planners. This has resulted in increasing scarcities of foodgrains and rising prices with adverse effect on the overall growth rate of the Indian economy, apart from rising unemployment with serious social and political implications. This article has again emphasised the importance of proper allocation of resources between the two important sectors of the economy. The essay however is very compact and terse and is therefore only for the initiated.

Economics of Television

There is at present great amount of discussion in India on the potentialities of satellite technology. Though at present TV coverage in India is meagre, specific proposals have been made suggesting the use of a satellite for creating a nationwide TV network in a very short time. Though at present the Planning Commission has no long-turn planning for development of television, India's willingness to use a satellite for pilot study appears to be indicative of her resolve to explore the feasiblity of a satellite television.

Economics of Television in India is an excellent study which does not purport to be a cost-benefit analysis of an educational television project. According to the author the attention is focussed on the following questions : "What would be the size of capital and current costs of a full-scale nation-wide, educational television system in India? What are the foreign exchange components of these costs? Would the cost of satellite television service be lower than that of a conventional television? What would be the cost of creating near-substitutes for such television systems, so as to achieve the educational goals of a television system?"

revealing findings

The main educational purposes envisaged of a nation-wide educational TV system are bringing about improvement in the quality of education, to improve adult education, especially with a view to fostering family planning among them and educating farmers in the methods of improving agricultural yield.

The author's findings are revealing. The full-scale nation-wide educational television for India has high capital and operational costs. The lowest estimate of capital cost is about Rs 3750 crores and the highest about Rs 7500 crores. The foreign exchange component is approximately in the range of Rs 1300 crores to Rs 1800 crores. The T.V. reception segment—i.e. community TV receivers, power sources, repair and maintenance etc, etc account for almost two-thirds of the total capital cost. According to the author, the operational cost would be between Rs 67 crores and Rs 122 crores, the estimates on the higher side being more likely. The foreign exchange component of the operational cost is estimated at Rs 15 crores. The author has placed the nominal annual total cost of the TV system in the range of Rs 120 crores to Rs 214 crores. The annual total estimate rises to Rs 155 to Rs 268 crores when provision is made for interest charges at five per cent.

What about the alternative TV systems? Combining satellite technology with micro-wave relays is found to be the least expensive way of establishing a nation-wide TV system in India.

Having compared system-wise estimates of costs, the author opines that the comparative cost results do not decisively favour one particular type of TV system. Other factors such as risk of failure associated with a technology, and flexibility offered in building a system also count in the choice of a TV system for India. While terrestrial technologies of TV transmission have long gestation period, the space technologies of satellites as well as aircraft offer speed in executing a large-scale TV system. But the latter are more likely to fail than the former.

But the central issue appears to be not what TV technology should be adopted but whether television itself is the best medium of education. According to the author, the alternative motion picture systems (whether the mobile van system or the fixed movie projector system) turn out to be more costly than TV systems as means of educating the Indian populace. Also because of the low level of teachers' salaries, the average teaching cost per pupil in India is very low. Using a television teacher for conventional instruction, according to the author, would not offer any significant cost gains. But there is no doubt that television can bring about improvement in the quality of school education through a supporting supplemental role rather than, acting as a substitute for class-room teachers.

After working out all the estimates, the author has rightly warned that a nation-wide television service in India would be an expensive proposition, irrespective of the TV technology employed. Before creating such a service, Indian planners must make sure that its benefits would be commensurate with its costs. Inadequate finance for TV system would result in operation below capacity, use of unwanted and imported TV programming and above all pressure for commercials in the TV system.

This book should be of great interest not only to Indian planners but to officials in the field of broadcasting and mass communication and to educationists.

Oil Crisis

The subject of oil has exploded into an international crisis. Of course there were oil crises in 1951, 1956 and 1967. But the repercussions of those earlier oil crises were not so imposing and were largely confined to a few countries. But the crisis of 1973 has not spared any non-communist country, friend or foe. The war between 'oil have-not' and 'oil-have' countries is not yet over. It is therefore most appropriate on the part of S. Manoharan to have brought out this excellent study, *The Oil Crisis*, analysing the oil situation, though not attempting to give precise answers to the various issues which are being discussed.

Tracing the history of oil, the author has shown how oil has "altered the course of history, influenced social customs and habits, literature and fine arts, shaped economics and politics and altered the direction of trade." There appears to be at present no substitute for oil fuel in cases of cars, aeroplanes and space rockets. The total annual production of oil at present is about 2,700 million tons out of which about 1,550 millions tonnes are exported, the exports being handled by eight major international companies, all belonging to the major western powers.

Having traced the world demand and supply position of oil, the author has given a graphic account of the origin of OPEC in September 1960 and its subsequent evolution into an extremely powerful institution. The history of the October Revolution of 1973 is analysed as also the positions taken by major countries in the Middle-East War. The author has analysed in great detail the ramifications of the war which were so devastating that had this economic war continued for some time, it would have made 'the Vietnam war look like a picnic'.

twin effects

The author has shown how developing countries have been affected by this oil crisis. They are affected in two ways. First, the oil war has raised the cost of fertilisers and other agricultural inputs, thus adversely affecting their agricultural output. Secondly it has pushed up the import bill completely upsetting the balance-of-payments position of these countries. Developing countries have been the worst sufferers.

What has been the impact of oil war on India? According to the author, Japan among the developed countries and India among the developing countries were worse hit by the oil crisis. Though the total consumption of oil in India is less than 10 per cent of that of Japan, its capacity to bear the increase in the import bill of oil is much smaller. When the oil crisis began, India was hopeful that her Arab friends and USSR would come to its rescue. Both having failed, the situation continues to be critical upsetting the whole Indian economy. India's oil import costs in 1973 were of the order of $ 415 million; the estimate for 1974 is $ 1,350 million ! All this has resulted in accentuating the inflationary pressures which were already operating in India.

What about the prospects of oil in India? India, it appears, has already achieved a major breakthrough in oil exploration and the country might be in a position to produce about 40 million tonnes by about 1978-79. At the current oil prices it will save the country at least Rs 250 crores worth of foreign exchange annually.

What about the problems of fueling for the future? The author has worked out the possibilities of the use of different substitutes such as synthetic oil, coal, nuclear energy, geothermal energy and of course the solar energy, the sun having the capacity of depositing on the earth's illuminated surface energy "equivalent to the total energy consumed by the earth's population in an entire year." Looking into the crystal ball there is the strong chance of exploitation of solar energy in future and the sun will then provide an ultimate answer to energy problems of the world. Meanwhile the oil crisis is on us and might explode at any movement.

The book is written in a very spritely manner and makes extremely interesting reading. Since we are all affected by the oil crisis, it is worth our while to know the nature of the crisis we are facing. This masterly book gives all the essentials of the oil problem which intelligent citizens in a democracy should and ought to know.

Role of Interest in Investment

Rate of investment is crucial for the growth of an economy. It is the rate of investment that determinies both the rate of growth and fluctuations in the economy. This means proper management of volume, timing and structure of investment becomes necessary, both in order to avoid fluctuations and to push up the rate of growth. This requires adequate knowledge of the main determinants of investment. From this point of view the working of interest rate policy as a determinant of investment gains much significance.

L. M. Bhole in this book *Investment. Interest and Monetary Policy in India*, which is based on a revised version of his doctoral dissertation, has made an attempt to verify empirically whether and how far variations in interest rates influence investment behaviour of the corporate sector in India.

The rate of interest may be expected to influence business expenditure mainly in two ways, namely as a cost factor influencing capital expenditure by causing shifts in entrepreneurs' investment demand schedule and secondly by influencing the supply of funds.

The author on the basis of empirical evidence has found that during the period under study (1951-66), the corporate investment policy in India was not sensitive to changes in interest rates. It was found that investment in fixed capital by the corporate sector was carried on unrestrictedly in spite of continuously rising interest rates and so was accumulation of commodity stocks. The author however has asserted that there was no evidence that the corporate sector relied more heavily during this period on internal financing or on trade credit.

According Bhole, the failure of interest rate policy to check investment was mainly due to a high level of demand and high level of profits. Given the relatively low level of capital stock to begin with, the near certainly about the future demand led entrepreneurs to overlook the rate of interest in their investment decisions. According to him the main reason for this failure of the interest rate policy was that increase in interest rate during the period was not adequate and did not reflect the changing situation of cost and scarcity of capital in India. It should be noted that Bank Rate in England during the period under study was generally higher than the Bank Rate in India. The author goes further and maintains that not only the level of interest rate was not raised sufficiently, but also the Reserve Bank took contradictory measures during the period.

Thus while raising the Bank Rate, the Reserve Bank liberalised the availability of credit, relaxed its control over bank reserves, lowered the penal rate of interest charged on excess of borrowings by commercial banks and conducted open market operations in such a manner as to render the interest rate policy largely ineffective.

deficit financing

The interest rate policy also failed during the period because other economic tools, namely commercial and financial policies, were mainly deployed to bring about a high rate of capital formation. The policy of deficit financing resulting in inflationary conditions made any possibility of effectiveness of interest rate policy remote. The interest rate policy failed also because of the area under the control of monetary authority was not pervasive. According to the author, IFC, SFCs, ICICI and IDBI did not adequately take cognisance of the actions of the monetary authority while conducting their operations.

Based on his analysis the author has chalked out an outline of a successful monetary policy and possibly this is the best part of the book.

His main suggestion is that the rate of interest should be raised sufficiently which would act as "a sieve in rationing capital projects." The rate of interest must reflect the degree of scarcity of investible capital and encourage its more economical use. The author wants that RBI should have powers to supervise and control all major sources of finances such as IFC, SFCs, ICICI and IDBI which should change in the same direction in which RBI desires the policies of commercial banks to charge. The above financial institutions should borrow from the RBI and not directly from the government who should stop giving assistance to these institutions. This will compel them to charge higher rates of interest on borrowings by the corporate sector. The RBI should also have powers to control the activities of non-banking companies. The RBI should remove the ceiling on the deposit rates as well as lending rates of the commercial banks. Commercial banks then will be in a position to attract deposits from the public which at present go often directly to the corporate sector. Transfer of inter-company funds should be controlled. The credit expansion by commercial banks must also be regulated by the RBI. The commercial banks must be prevented from switching out of government securities, so that commercial banks do not give loans indiscriminately to the corporate sector. The RBI must follow the open market operation policy not with a view to supporting the prices of government securities but in conformity wth its Bank Rate policy, and the policy of deficit financing must not be allowed to negative the interest rate policy,

The RBI hardly seemed to have any definite interest rate policy till lately. Only recently when the Bank Rate was raised to nine per cent which has pushed the market rate of interest to around 15 per cent, that the interest rate policy seems to have become effective to some extent. This seems to confirm the findings and policy advocated by the author, and yet the government is still indulging in contradictory policies with the consequence that the interest rate policy is still only partly effective. This study should be valuable in the context of spiralling prices in India.

Indian Planning

Planning in India contains the four lectures which H.V.R. Iengar delivered in the Dr John Matthai Memorial series in the university of Kerala.

The first lecture is on 'The Four Plans at Work'. The author has referred to the Bombay Plan of which Dr John Matthai was one of the principal authors. One is astonished when looking back on the Bombay Plan prepared by Indian industrialists as far back as 1944.

Thus it is astonishing to recollect now that the Bombay Plan was based on the Soviet model giving primacy to state in matters of economic development. It should be noted that the Bombay Plan was consumption-oriented plan beginning its work on the basis of a balanced diet. Also while emphasising rapid industrialisation of the country, the plan emphasised the production of wage goods of which we are repeatedly talking about at present. The Bombay Plan recommended surprisingly that every aspect of economic life of the people would have to be controlled by the government. This appears surprising considering the hard-headedness of the businessmen who prepared the plan. They almost advocated that "we should set up a Communist society. . ." It is truly strange that while those experienced industrialists advocated increasing state control, the allegedly socialist government should have adopted a system of planning which is both cautious and restricted in scope.

Discussing India's five-year Plans, the author has pointed out that the main failure of Indian planning has been due to our failure on the implementation side and due to failure to enlist whole-hearted cooperation of the people. In the final analysis, according to the author, it is the moral calibre of our political leaders that is responsible for our economic failures since independence.

pattern of planning

The author's second lecture was on 'The Pattern of Chinese Planning'. In view of the paucity of material on Chinese planning which makes any comparison with Indian Planning hazardous, the reader is greatly attracted by this piece of writing.

According to the author the main reason of our failure on the economic front is the moral deterioration among our political leaders and consequently at all levels of society. The Chinese were as much corrupt during the closing years of the Chiang kai shek regime and yet the Chinese changed almost overnight and have shown remarkable progress in various fields. For instance China's steel production was about one million tonnes, exactly the same as that of India, when their planning began and yet by 1966 the Chinese production has shot up to about 13 million tonnes as against our 5 or 6 million. In the field of industry and technology, the Chinese have made more spectaular progress compared to ours. China has become self-sufficient in oil and in the field of technology the Chinese are entirely on their own since 1960 when the Russians decided to pull out of China. The fact that starting from scratch, the Chinese have produced nuclear weapons and have possibly developed a delivery system is proof enough of their advancement in sophisticated technology. One therefore wonders whether we Indians have not taken too easy a line about foreign collaboration thus mostly relying on foreign technicians rather than on our own technicians who are eager to seek jobs abroad. While we are talking about our brain drain, China managed to have reverse brain drain, their foreign-educated technicians ably stepping in the shoes of the Russians after 1960.

According to the author all this progress is not due to the communist system of government in China but is mainly due to the capacity of hard work and sense of dedication and discipline among the Chinese people. It is the quality of the people and especially of the leadership which has pushed China ahead of India where power is outstripping ability and politics from the topmost level to the lowermost is without principles. This article possibly does not exhibit profound economics but is certainly stimulating and succeeds in putting the finger on the basic evils corroding the Indian society.

Writing about 'The Shape of fifth Plan' the author writes that plan-making has become more complex than before and therefore there is all the reason why government exercises in planning should be more thorough and realistic. But the government does not seem to have fully realised the gravity of the situation. He wonders whether on the basis of the total outlay of Rs 53,411 crores even at 1972-73 prices it would be possible to achieve the physical targets mentioned in the fifth Plan. The available experience indicates that whatever additional resources are available will be eaten up by non-Plan expenditure. Also, the author has rightly warned that "excessive preoccupation with job creation might mean lower productivity and therefore lower rate of growth of national income." There is the danger of creation of an industrial structure which is not competitive either by domestic or international standards. On the other hand the highly productive and capital intensive units would raise among other things balance of payments problems. This implies that while creating employment opportunities, the fullest attention should be given at the same time to productivity.

fruitless expenditure

The last article is on 'Inflation and the Way Out'. In this essay, the author has voiced his well-known opinions on the problem. He has criticised that monies allotted are not spent fruitfully, that there should be a larger degree of standardisation in the production of wage goods, inter-state movement of goods should be free, that quantum of deficit financing should be brought down considerably, that the Kaldorian model (i.e. expenditure tax) was abandoned too early, that in respect of over-expenditure government is the most guilty party and that there should be strict credit planning. According to the author in all these matters ec nomists should have a greater say and f that purpose a sort of council of econ mists to advise the government should b created. Only measures such as thes would inspire truly national efforts i place of the prevailing sense of frustration and cynicism.

Though all this has been said before Iengar's way of saying it invests i with a certain amount of novelty an weight. Iengar has been emphasisin these days the moral dimension of economic growth to a greater and greater exten and this is as it should be. Students o economics may not find profound economic analysis in this book but even they wil find the lectures interesting and suffused with common sense. That Macmillan should have brought out a book authored by no less a person that H.V.R. Iengar i such a shoddy manner is both perplexing and inexcusable, to say the least !

Dissertations in Economics

As the blurb states, the Bombay university department of economics has a continuous tradition of 50 years of sustained dissertations work for M.A. and Ph.D. In all 235 theses were successfully completed in the university of Bombay during 1921-71, covering most of the important facets of the evolving Indian economic scene and some issues in pure theory. *Dissertations in Economics 1921-71* shows what great contribution the University of Bombay, especially its department of Economics has made to the study of economic problems.

In the field of agriculture, subjects like marketing including futures trading, land reforms, land revenue and also sub-division and fragmentation appear to have attracted greater attention of the researchers. Also topics such as production and land utilisation and community development seem to have attracted the attention, though their importance as research subjects appears to have declined in recent years. On the contrary agricultural labour and employment appear to have attracted the attention of researchers. Also during the last decade narrower themes appear to have been selected possibly to test the hypotheses with the aid of statistical tools which are being used liberally in recent times by students of economics.

In the field of industries, study of specific industries such as sugar, cement, chemicals, cotton textiles, iron and steel appear to have attracted the attention of students. Also small-scale industries have been treated both in general as also in specific terms. Theses were also written on aspects such as impact of state policies relating to controls and tariff regulation on the

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growth and development of industry, and the growth and structural changes in the industrial sector. Most of the theses that studied specific aspects of industries were hypothesis-testing. They examined pecifically economics of scale, locational pattern of an industry in the regional context, role of various financial agencies and gaps in the availability of finance to ndustry, efficiency of corporate financing and management, relationship between size and output, tendency of the profit-rates to equalise, combination and concentration and depreciation and dividend policies.

In the field of labour, the problems studied during the last 50 years were conditions of industrial labour, wage determination and recruitment, industrial relations and social security.

The field of monetary and fiscal economics appears to have become more popular during recent years, especially since the advent of Dr P.R. Brahmananda on the scene. The fields of research chosen by students were topics such as municipal finances, public finance and full employment, Indian capital market, problems of monetary policy and monetary management and problems of financial management.

range of topics

Planning and various aspects of planning have very naturally attracted the attention of great many scholars after 1951. The range of topics studied and the extent of the coverage is very wide as is indicated by the choice of subjects for the theses, namely relevance of the existing tools of economic analysis and theories of growth and planning for the underdeveloped countries, institutional structure with particular emphasis on competitive and complementary relationship between public and private sectors, techniques of planning, investment pattern and capital structure, shifts in employment structure in the course of development, pricing policies for the public sector enterprises, critical assessment of the analytical framework of welfare economics and so on.

In the sphere of international economics the topics covered by several theses include pure theory, structure of India's foreign trade, commercial policy, balance of payments and exchange rates, foreign investments and so on.

There are a couple of theses on topics from other branches such as demography, transport and public utilities and some aspects of econometrics and mathematical economics.

It is strange and disappointing that inspite of the vast scope, the subject of economic history has hardly attracted the attention of scholars. Also it is a sad reflection that so little attention should have been given to the problems of pure theory. Preference for problems in applied economics indicates the tendency to choose soft options for which Indians are noted.

Of the 235 theses successfully completed, the publishers could get hold of 227 theses whose summaries giving details of the methodologies adopted and the findings are included in the volume.

Dissertations In Economics is a stupendous volume useful in many ways. By providing abstracts and summaries of 227 theses, almost an unlimited fund of valuable knowledge is made available to the readers who would have found going through all the theses impossible. The future research students and guides will find the volume very useful as it will help them to choose topics for their research and also enlighten them as regards the methodology that should be adopted. All in all the university of Bombay deserves compliments for bringing out this excellent book and rendering assistance to the students of economics in more ways than one.

Books received

Creative Selling (Concept and Application): Amal Haldar; the Macmillan Company of India Ltd., 2/10, 4252, Ansari Road, Daryaganj, Delhi-110 006; Pp. 127; Price Rs 8.00

Our Research Institutions: Published by the Director, Publications Division, Ministry of Information and Broadcasting, Government of India, Patiala House, New Delhi; Pp. 150; Price Rs 6.00

Management and Population—A Systems View and Review of Family Planning Programme in India: N.V.R. Ram; D.K. Publishing House, 73-B, Anand Nagar, Delhi, 110 035; Pp 130; Price Rs 25.

Labour-Management Relations — New Perspectives and Prospects: Dr R.V. Rao; D.K. Publishing House; Pp 136; Price Rs 25.00.

G.L. Mehta Commemoration Volume: Edited by S.L.N. Simha; Published by the Registrar, Institute for Financial Management, and Research, Madras-34; Pp 160; Price Rs 35.

Short-term Investment Forecasting: An Exploratory Study: Samuel Paul and C. Rangarajan; Macmillan Co of India Ltd, 2/10, 4252, Ansari Road, Daryaganj, Delhi, 110 006; Pp 207; Price Rs 50.

PL 480 Aid and India's Food Problem: B.R. Shenoy; Affiliated East-West Press Pvt. Ltd., 9 Nizamuddin East, New Delhi-110013; Pp 342; Price Rs 60.

Asian Top-level Cooperative Leaders' Conference Report: Published by International Cooperative Alliance, Regional Office & Education Centre for South-East Asia, 43 Friends Colony, New Delhi 110 014; Pp 425; Price Rs 40.

Speeches of President V.V. Giri (May 1969-December 1971): Published by Publications Division, Ministry of Information and Broadcasting, Patiala House, New Delhi-110 001; Pp 512; Price Rs 16.00.

The Indian Petroleum Handbook 1973: Published by Statistics Division, Petroleum Information Service, 22 Pusa Road, New Delhi-110 005; Pp 506; Price Rs 15.

Credit Planning and Policy: Edited by S.L.N. Simha and A Raman; Published by Vora and Co Publishers Pvt Ltd., 3 Round Building, Bombay 400 002 on behalf of Institute for Financial Management and Research, Madras; Pp 199; Price Rs 30.

A Regional Profile of Indian Agriculture: Edited by Vadilal Dagli; Published by Vora and Co Publishers Pvt Ltd. on behalf of *Commerce (1935) Ltd*; Pp 311; Price Rs 50.

Planning, Development and Economic Policy in India: V.S. Mahajan; Published by Usha Raj Kumar for Kalyani Publishers, Ludhiana; Pp 340; Price Rs 36.

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Advanced Economic Theory Micro and Macro Analysis: P.N. Chopra; Published by Mrs Usha Raj Kumar for Kalyani Publishers, Ludhiana; Pp 750; Price Rs 25.

Socio-Psychological Factors Influencing the Adoption of the Innovation of Starting a Small Industry Unit—A Research Study: Published by the Small Industry Extension Training Institute, Yousufguda, Hyderabad-500 045; Pp 109; Price Rs 10.

Banker and Corporate Customer: R.K. Talwar; Published by the A.D Shroff Memorial Trust, 235 Dr D.N. Road, Bombay-400 001; Pp 18;

A Richer Harvest, New Horizons for Developing Countries: Sudhir Sen; Tata McGraw-Hill Publishing Co. Ltd. C-98A, South Extension Part II, New Delhi 110 049; Pp 573; Price Rs 51.00.

Growth Potentialities of Sultanpur—A Study in District Planning: Dr Kripa Shankar; Arthik Anusandhan Kendra, 26/1 Karailabagh Colony, Allahabad; Pp 80; Price Rs 12.50.

TRADE WINDS

Loan from Canada

An agreement between the governments of India and Canada for a Canadian loan of 10 million Canadian dollars (Rs 8.33 crores) was signed recently in New Delhi. The loan is meant to finance the import of potash fertiliser from Canada during 1974-75, including its freight costs. With this agreement, the total assistance received from Canada so far for the purchase of fertilisers works out to 122 million Canadian dollars. The loan is on the usual soft terms applicable to Canadian loans; it is repayable in 50 years with a grace period of 10 years and carries no interest, commitment or service charges.

The agreement was signed by Mr M.G. Kaul, Secretary, department of Economic Affairs, ministry of Finance on behalf of the government of India and Mr John R. Maybee, High Commissioner for Canada in India, on behalf of the government of Canada. Apart from this loan, Canada has also provided grant assistance to the extent of 25 million Canadian dollars for import of 140,000 tons of wheat and 16.7 million Canadian dollars for import of rapeseed and rapessed oil during the current year.

IDA Credit

The International Development Association (IDA), an affiliate of the World Bank, recently announced credits totalling $79.1 million for development projects in this country. It has been pointed out that over three million people in India's rural areas will benefit from the rural and dairy development projects which will be financed by the credits. A credit of $35 million will help India increase and stabilise agricultural production in six drought-prone districts in four states—Andhra Pradesh, Karnataka, Maharashtra and Rajasthan. Two other IDA credits totalling $44.1 million will finance dairy development projects in Madhay Pradesh and Rajasthan.

Assistance from EEC

The ECM has announced aid worth $120 million to third world nations worst-hit by higher oil prices, giving India the biggest share. This is part of the UN's international emergency relief fund. The EEC has already paid $ 30 million direct to the fund and will give the rest of the sum to 17 developing nations. Council officials said the allocation was: India $ 56 million, Bangladesh $22 m, Tanzania $ 9 m, Sri Lanka, Mali and Niger $ 5 m each Madagascar, Honduras & Pakistan $ 3 m each, Upper Volta and Chad $2 m each, Dahomey, Rwanda, Haiti, Senegal and Somalia $ 1 m each. The EEC is scheduled to commit another $ 350 million to the fund before the end of January. Other contributors include rich developed nations and the oil producers. The current beneficiaries are expected to spend the aid on food, fertilisers, insecticides, medicine and economic programmes.

Company Donations

The union cabinet decided recently to lift the ban on donations by companies for political parties and to raise the permissible limit. The Companies Act would be amended for the twin purpose possibly during the next session of Parliament. The original ceiling fixed in the Companies Act (Section 293-A), prior to the imposition of the ban on donations to political parties was Rs 25,000 or five per cent of the average net profits of a company during the three financial years immediately preceding, whichever is larger. Under the proposed amendment, the ceiling will be Rs 50,000 or five per cent of the average net profits during the three preceding financial years. The Cabinet also resolved that government companies would be banned from making any contributions to political parties. The ban on government companies is similar to the law applicable to nationally chartered corporations in the US. The question of lifting the ban on company donations to political parties has been under consideration ever since the Wanchoo Committee on direct taxes submitted its report. This committee had strongly pleaded for revoking this ban.

TELCO, PAL Truck Prices

TELCO and Premier Automobiles (PAL) have decided to reduce their truck prices following the cut in the prices of truck tyres. TECLO truck prices are likely to be lower by about Rs 200 and that of the Premier trucks by about Rs 130. Ashok Leyland of Madras has already reduced its truck prices by about Rs 200 a few days ago.

National Income

India's national income at 1960-61 prices went up by four per cent during 1973-74, against 0.4 per cent in 1972-73, 1.7 per cent in 1971-72 and 4.02 per cent in 1970-71, according to a tentative estimate by Reserve Bank's department of Statistics, published in the bank's latest currency and Finance Report for 1973-74 (July-June). The growth of income is attributed to substantial increase in agricultural production in that year.

The Central Statistical Organisation's estimates reveal tha the per capita income fo 1972-73 was a 687.6 at curren prices and Rs 337.5 at constan (1960-61) prices. The pe capita income at current price in 1972-73 registered a rise o 14.5, 9.6 and 6.5 per cen reapectively over the year 1969-70, 1970-71 and 1971-72 However, a similar compariso at constant prices shows a fall of 1.3, 2.4 and 1.8 per cent respectively, the Rajya Sabha was informed recently.

Cabinet Panel for Exports

A new cabinet committee of industry and exports has been constituted. Though it is only a redesignation of the earlier committee on industry and trade, it would pay more attention to export promotion policies. It also indicates the close link that is proposed to be established between internal production and exports. The new committee will be headed by the minister of Industries and Civil Supplies, Mr T.A. Pai and includes the minister of Law and Company Affairs Mr H.R. Gokhale, the Petroleum minister, Mr K.D. Malaviya, the Railway minister, Mr L.N. Mishra, Commerce minister, Mr D.P. Chattopadhyaya, the Steel and Mines minister, Mr Chandrajit Yadav, the minister of Energy, Mr K.C. Pant and Labour minister, Mr K.V. Raghunatha Reddy.

Iron Ore Exports

Exports of iron ore and concentrates from this country totalled 23.75 million tonnes valued at Rs 132.83 crores during 1973-74 as compared to 20.6 million tonnes worth Rs 109.8 crores in 1972-73. The major importer has been Japan whose intake was 19.24 million tonnes (Rs 108.11 crores) in 1973-74 as compared to 17.59 million tonnes (Rs 91.82 crores) in 1972-73. Other important importers have been Romania, Czechoslovakia, Poland, Hungary, Belgium, the UK, and West Germany. As against actual exports of 23.75 million tonnes valued at Rs 132.8 crores during 1973-74, he target for export of iron ore during 1974-75 has been fixed at 27.0 million tonnes valued at Rs 175 crores. The target for export of the ore by 1978-79, the terminal year of the fifth five-year Plan, has been fixed at 35.0 million tonnes. At current prices, approximate value of the tergetted exports by that year would be Rs 220 crores.

Export of iron ore in India was canalised in 1957. The ore of Goan origin was, however, kept outside the purview of canalisation.

This country has vast resources of iron ore estimated at 10,000 million tonnes of which measured resources amount to 5376 million tonnes, indicated resources 2070 million tonnes and inferred resources 2725 million tonnes. In India, commercial exploitation of iron ore is confined mainly to hematite ore. Iron ore deposits are located almost in every state in the country and richer deposits have been confined to Bihar, Orissa, Madhya Pradesh, Goa, Maharastra and Karnataka. The output of iron ore in India amounted to 32.5 million tonnes in 1972, and 34.2 million tonnes in 1971. Indigenous steel industry's annual requirements of the ore are around 16.5 million tonnes. It would be found thus that the country has sufficient surplus of iron ore to export. Of the total world production of iron ore at 793.8 million tonnes during 1973, the leading producer was the USSR at 216.0 million tonnes, followed by Australia (175.0 million tonnes), France (60.8 million tonnes), Canada (44.0 million tonnes), Brazil (42.5 million tonnes), India (35.2 million tonnes), Venezuela (19.0 million tonnes) and Chile (13.0 million tonnes).

Exports of Electronic Products

Exports in electronic products from this country amounted to Rs 75 lakhs in 1973-74, registering an increase of 25 per cent over the export value in the preceding year. India offers a wide variety of electronic items to world markets. The range broadly covers radio receivers, television sets, teleprinters, computers, desk calculators, record players, transistors and diodes, receiving valves, TV picture tubes, transmitting tubes, cathode ray tubes, microwave tubes, crystals, carbon films resistors, potentiometres, loudspeakers, gang condensers, switches, paper capacitors, plastic film capacitors, electrolytic capacitors, ferrites, permanent magnets and a large number of other sophisticated items in the line. The total output of the industry improved to Rs 242 crores in 1973-74 from Rs 206 crores in 1972-73 and Rs 180 crores in 1971-72. The production has reached this level from only Rs 44 crores about a decade back (1965-66).

Statistical machines and calculators are picking up overseas demand in recent years. During 1973-74, their exports secured foreign exchange worth Rs 372 lakhs. Japan is the largest buyer of Indian statistical machines. Its imports were valued at about Rs 260 lakhs during 1973-74, followed by Australia which imported worth Rs 61 lakhs. Among others, Philippines and New Zealand were prominent. Calculating machines (electrically and manually operated) and parts were purchased mainly by Hungary and the UK.

Woollen Exports

The export of wool and woollen goods has shown an improvement in the seven-month period ending October compared with the corresponding period of 1973. The aggregate export has amounted to Rs 31.70 crores in the current year as against Rs 30.42 crores during April-October, 1973. Carpets, hosiery blankets and shawls contributed to the increase, while there was a fall in the export earnings of raw wool and fabrics. Item-wise cumulative earnings for the period April-October 1974 are as under with corresponding figures for last year shown in brackets. Raw wool Rs 2.69 crores (Rs 3.74 crores). yarn Rs 0.27 lakhs (2.81 lakhs), fabrics Rs 87.32 lakhs (Rs 99.38 lakhs), hosiery Rs 11.60 crores (Rs 10.98 crores) garments Rs 32.93 lakhs (Rs 31.87 lakhs), blankets Rs 55.23 lakhs (Rs 34.14 lakhs), shawls Rs 37.51 lakhs (Rs 16.78 lakhs) and carpets Rs 15.28 crores (Rs 13.85 crores). Total Rs 31.70 crores (Rs 30.42 crores).

Re-export of Books

The import trade control policy has been amended by the union government, banning the re-export of books. Some of the publishing companies had resorted to ingenious ways to circumvent all existing regulations. They were given spetial import licenses to get cheap text books for the colleges and universities under various arrangements with other countries. It appears that some of the publishers, who were given these licenses, were re-exporting the books to some other countries and getting various financial and other incentives for the export.

Central Warehousing Corporation

The Central Warehousing Corporation reduced its profitability during 1973-74 due to unchanged storage charge despite the escalation of prices of various essential materials. This was stated in the annual report of the corporation for the year presented in the Rajya Sabha recently. As against a net profit of Rs 127.37 lakhs in 1972-73, the corporation earned a profit of Rs 122.85 lakhs during 1973-74. Working with 146 central warehouses, the corporation built up a capacity of 1.6 million tonnes by the year-end. The export warehouse of the corporation at Bombay port achieved full utilisation during the year. The Planning Commission had approved a provision of Rs 35 crores for construction of a capacity of 1.7 million tonnes by the corporation, during the fifth Plan. During 1974-75 the corporation would add 150,000 tonnes of storage capacity.

Risk Capital Foundation

A novel scheme to assist new entrepreneurs in getting funds to set up medium scale units will be launched soon by the Industrial Finance Croporation of India. A new organisation, the Risk Capital Foundation (RCF), is being set up for this purpose and will start operating within two or three months. The idea is to assist new entrepreneurs in raising the required funds towards the promoters' share. The financial institutions generally insist on the promoters contributing 10 to 15 per cent towards the share capital. It was observed that

THEY'RE SMOKING A CHARMINAR

several of the entrepreneurs found it difficult to raise the initial money and also thereby failed to get other assistance from the financial institutions even if their projects were sound and of high priority otherwise.

Finding the risk capital is stated to be one of the major lacunae in the present industrial credit framework. and because of that the financial institutions are finding it difficult to promote new industries particularly in the backward areas even though the government had laid it down as one of the major objectives of industrial development policy.

Colombo Plan

The 24th Colombo Plan Consultative Committee meeting recently recommanded the extension of the plan for another five years from July 1976. The committee sought international support to investments which would secure significant increases in food production in the Colombo Plan region. A report prepared by officials from 27 countries after three days' deliberations said that in India, Pakistan, Bangladesh and other countries of the region yields were far from being maximised and large areas still remained uncultivated. Therefore, the development of new agricultural land should be given serious attention with special emphasis on the development of competitive export products, the report suggested.

Textile Prices

Mr P.P. Singla, newly appointed chairman-cum-managing director of the National Textile Corporation (Gujarat) Ltd. claimed that the nationalised mills had slashed the prices of cloth by as much as 35 per cent which no other unit in the private sector had done. Mr Singla was speaking to newsmen after the National Textile Corporation had earlier transferred the ownership and management of 11 nationalised textile mills in Gujarat to its subsidiary organisation. Nine of these units were so far managed by the Gujarat State Textile Corporation

Import of Newsprint

The State Trading Corporation (STC) held negotiations with suppliers in Bangladesh, Canada. USSR, Scandinavia, Czechoslovakia and Japan for the import of newsprint and, as a result, has concluded contracts for the import of 106,785 tonnes during the current year. The government as such has not approached any country except Finland, where, among other things, a request for expediting supplies was conveyed.

Foreign Firms in India

There are 740 multinational firms operating in this country. Of these, 538 function through their branches which are wholly owned and controlled by them, according to official data made available recently. The remaining 202 operate through majority participation in Indian companies and are Indian subsidiaries of foreign companies. The subsidiaries of the UK firms number 140 and those of the US 28.

Jute Trade

The union minister for Commerce, Mr D. P. Chattopadhyaya, stated in the Rajya Sabha recently that nationalisation of jute industry was ruled out at present but the government he added could go in for more and more control on jute trade. He hoped that the Jute Corporation of India would be able to take over total control of the trade after some time. Mr Chattopadhyaya denied report of a sharp decline in the prices of raw jute and a distress sale of growers on the west Bengal, Assam Orissa, Tripura, Meghalaya and Bihar. The minister stated that the Jute Corporation was concentrating its activities from this month in the markets where the prices were comparatively low. He added that action was being taken to release one crore of rupees as loan to the Croporationin addition to rupees one crore already sanctioned as a loan.

International Energy Agency

Headed by the United States, 16 leading industrialised nations recently put into motion a common energy agency designed to beat back any new oil boycott. The US delegation to the initial meeting of the International Energy Agency (IEA) expected that the 16 will work out a hard and fast agreement on oil sharing.

Tractor Plant in Bihar

The Bihar State Agro-Industries Development Corporation has decided to set up Rs 11.80-crore Zetor Tractor project at Fatwah near Patna in the joint sector. The corporation would be holding 51 per cent shares and remaining shares would be sold in the open market. The project which would produce 10,000 Zetor tractors in collaboration with the HMT got approval by the union government in November 1973.

Aluminium Conductors for Iraq

The Kerala government-owned Aluminium Industries Ltd has secured a Rs 140-lakh order from Iraq for aluminium conductors against keen international competition. Iraq had earlier placed an order worth Rs 70 lakhs. Conductors worth about Rs 30 lakhs had already been dispatched to Iraq during the last two months. Last year, exports worth about Rs 56 lakhs were effected by the company to various countries. It hopes to export at least one crore rupees worth of conductors during the current financial year, out of the Rs 2.3 crores worth of orders in hand.

DGS&D
DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS
DISPOSALS WING: COMMODITY SECTION

Parliament Street, NewDelhi

TENDER PROGRAMME
FOR THE MONTH OF DECEMBER 1974

1. *DGS &D/MMH*/537213/66 *due on* 24.12.1974 at Ex Small Arms Factory, Kanpur. *Stores*-Empty Steel Drums 20 litres capacity-8500 Nos.
2. *DGS &D/MMH*/53721/66 *due on* 24.12.1974 at Ordnance Factory, Kanpur. *Stores*: V.O.S. H-1. Barrel Steel without Top cuts 40/45 Gallons capacity-2000 Nos.
3. *DGS &D/CPM*/544024/14 and *DGS &D/CPM*/544028/18 *due on* 28.12.1974 at MES Store Yard E/M/SUB Dn. Maharajpur. *Stores*: Mixer Bitumen 10/7Cft. diesel E/M 1283-1 No. (1½ Ton) and Road Roller 10 Ton Petrol EM No. 6340-1 No.
4. *DGS &D/CPM*/544035/18 *due on* 28.12.1974 at C.P.W.D. Civil Air Port, Madurai, *Stores*: Tata Marshall Steam Road Roller with boiler and engine S. No. 1091. (with front &rear Rolls) 8/10 Ton-1 No.
5. *DGS &D/CPM*/544036/18 *due on* 31.12.1974 at Jaisalmer Air Field, *Stores*: Road Rollers Avelling Jessop make 8/10 Tons (a) 2012 (b) 966—2 Nos.
6. *DGS &D/CPM*/544040/18 *due on* 31.12.1974 at Transit Depot, Imphal (GREF) Lamphelpat P.O. Imphal (Manipur). *Stores*: Road Roller Avelling Jessop-8 Ton EM No. EMR 206-X-1 No.
7. *DGS &D/CPM*/544061/18 *due on* 27.12.1974 at Garrison Engineer. Adampur A.F. *Stores*: Road Roller Gallion Chief 10 Ton Petrol driven E/M No. 10349 &EM No. 10350-2 Nos.

Tenders will be received and opened at 2-30 p.m. and 3-00 p.m. respectively on the above dates.

Offers will remain upto 24.2.1975 for S. No. 1 & 2, 27.2.1975 for S. No. 7 28.2.1975 for S No. 3 & 4 and 3.3.1975 for S. No. 5 & 6. Sales on "As is where is basis and strictly as per terms".

Each tender must be accompanied by two Deposit-at-Call Receipts—each representing 5% of the tendered value as (i) Earnest Money and (ii) Security Deposit subject to maximum amount of Rs. 1 lakh. Tender forms and details can be had from the Cashier. DGS &D, New Delhi, Director of Supplies and Disposals, Calcutta, Bombay, Madras and Kanpur @ Rs. 5 (non-refundable) per set (non-transferable) in cash or by M.O.

DGS &D RESERVES RIGHTS TO REJECT ALL OR ANY OFFER WITHOUT ASSIGNING REASONS THEREOF.

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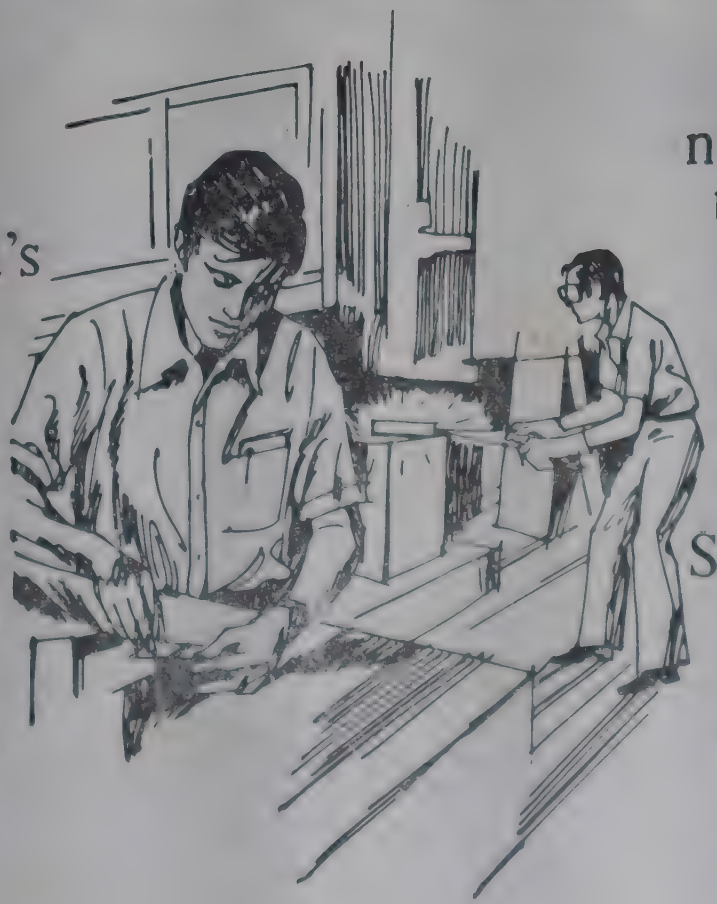
When you make it your business to help the best talent in the country get better, it's called enlightenment.



As far back as the 1890's Jamsetji Tata realised much of India's poverty was due to lack of opportunity.

The pioneering Jamshedpur Technical Institute, started in 1921, was just such an opportunity. Over the past fifty-three years it has developed for the nation a core of highly trained steel men, and some of India's finest technical managers, engineers and technicians for the public sector (Hindustan Steel, Bokaro Steel, the Heavy Engineering Corporation) as well as for the Tata Iron and Steel Company.

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He needs to be reassured that in the face of market fluctuations he will be called upon to pay a realistic price.

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- Lead Acetate ● Litharge
- Basic Lead Sulphate ● Zinc Dust
- PVC Stabilisers

COMPANY AFFAIRS

Smart Recovery

THE STOCK market gathered more steam last week. The all-India equity index indeed recorded an impressive rise during the week and it moved even beyond its October high. It reflects to some extent the significant change in the outlook for equities. What particularly cheered the market sentiment most is the recent reassuring pronouncements of both the Finance minister, Mr C. Subramaniam and the Industry and Civil Supplies minister, Mr T. A. Pai. Both the ministers are trying vigorously to initiate a series of measures in order to boost production with a view to containing the inflationary pressures. The centre is also considering a new strategy to allow the private sector more scope by enlarging the definition of the core sector on the one hand and by amending the MRTP Act on the other. All that the market badly needs now is a relaxation of curbs on payment of dividends. Following Mr J.R.D. Tata's observation at the annual general meeting of Tata Chemicals Ltd, that the dividend curbs will be removed in the near future, speculation is rife that the limitation on payment of dividends will at least be relaxed, if not removed.

Dalal Street opened the week on a steady note and equities moved in a narrow range in the first half of the week. In subsequent tradings, equities were marked up considerably. Over the week equities, on balance, recorded substantial gains. Textile scrips were in the limelight on reports that the demand for cloth had revived. Select cash shares also moved up on sustained support. After a continuous down drift for several weeks, equities in the Calcutta Stock Exchange moved up during last week, with selected scrips registering moderate gains. Share with growth prospects received greater attention. Operators, however, were cautious in extending their commitments in view of the uncertain economic and political conditions. Select sugars, textiles, chemicals and industrials found support during a week of moderate trading on the Madras Stock Exchange. The undertone continued to be mixed.

Premier Automobiles

Mr Lalchand Hirachand, Chairman of the Premier Automobiles Limited has visualized promising prospects for the company during the current year. The chairman has observed that during the first four months—July-October—of the current year, the company has achieved substantial increase in production of cars and trucks. With increased sales and better prices the turnover of the company during the first four months have also gone up appreciably to Rs 1953 lakhs from Rs 1545 lakhs in the corresponding period of the previous year. Barring unforeseen circumstances the management expects to achieve higher output and improved profits in the current year. With effect from July 1, 1974 the company could obtain a price increase for cars commensurate with the increase in the cost of production. The price control on the light commercial vehicles has been removed. With regard to the medium and heavy commercial vehicles the government has given freedom to the manufacturers to fix the prices of the vehicles, subject to certain norms of self-discipline. Meanwhile the company after considerable delay was finally able to obtain a letter of intent for the expansion of car production to the level of 18,000—20,000 units per annum. Due to the delay of more than two-and-a-half years for the issue of the letter of intent the project cost has gone up significantly. Pending assistance from the financial institutions, the company has gone ahead with the implementation of the project and a good number of machines have already been acquired. It is expected that the company would be in a position to reach the targeted production by June 1976.

Chloride India

Chloride India has reported further impressive improvements in its working results during the year ended August 31, 1974. With an expansion in sales from Rs 16.52 crores to Rs 21.81 crores the pre-tax profit has gone up to Rs 3.57 crores from Rs 3.09 crores in 1972-73. Exports at Rs 1.46 crores too higher by 46 per cent. The company has already paid an interim dividend of ten per cent. The directors have now proposed a final equity dividend of six per cent for 1973-74 on a large capital resulting from the eight-for-nine bonus issue. In 1972-73 the company declared an equity dividend of 24.5 per cent. Out of the gross profit, the directors have appropriated a sum of Rs 221.50 lakhs to taxation as against Rs 192 lakhs in the earlier year while a sum of Rs 15.50 lakhs was set aside to development rebate reserve as compared to Rs 4.25 lakhs in the previous year. After adjustments an amount of Rs 121.04 lakhs has been transferred to the general reserve.

Zenith Steel

Zenith Steel Pipes Limited has entered into a technical collaboration agreement with the American Shear Knife Company (ASKO) for manufacturing high quality industrial knives and rollers. This collaboration agreement has already been approved by the government and is now effectively in operation. With this collaboration the Zenith Steel would be able to make substantial import substitution with the help of highly sophisticated and modern technical know-how from ASKO. At present our country is importing various types of industrial knives and rollers worth about Rs 1.50 crores. Zenith would not only save foreign exchange by import substitution but it would also be able to sell these items overseas. In fact, ASKO would extend all help to Zenith in exporting these products.

Ballarpur Paper

Ballarpur Paper has in hand a wide range of expansion schemes involving a capital outlay of a very high order. Its current lines of manufactures are already diversified and they covered such items as paper, vanaspati, caustic soda, chlorine and sodium tripolyphosphate. The company is setting up a newsprint mill with an initial capacity of 200 tonnes a day based on the forest resources of the Himachal Pradesh. The company's application for import of capital goods valued at Rs 12.69 crores have already been cleared by the government on condition that the company negotiates a foreign exchange loan from the World Bank. The cost of the project which was originally placed at Rs 35 crores has now escalated to 100 crores, with a foreign exchange components of Rs 30 crores. It is the intention of the company to raise the capacity at a latter stage to 350 tonnes a day. The company has received a letter of intent for increasing the capacity of its caustic soda plant at Karwar from 100 tonnes to 150 tonnes a day. This plant is scheduled to be commissioned by March next year. The other products in hand include titanium dioxide pigment of 30,000 tonnes per annum, titanium metal sponge of 3000 tonnes per annum. The investment in the titamium complex is expected to be of the order of Rs 45 crores.

East Anglia Plastics

East Anglia Plastics (India) Limited has reported remarkable improvements in production and sales during the year ended June 30, 1974. The output of Plasticizers was higher at 2577 tonnes, Camg at 728 tonnes, PVC at 538 tonnes and films and foils at 67 tonnes as against 1643 tonnes, 574 tonnes, 487 tonnes and 44 tonnes respectively in 1972-73. Sales of all these products were also uniformly higher during the year, the sales of Plasticizers being up at Rs 272.68 lakhs, Camg at Rs 165.39 lakhs, PVC at Rs 55.27 lakhs and films and foils at Rs 23.25 lakhs as compared to Rs 175.64 lakhs, Rs 92,59 lakhs, Rs 32.19 lakhs and Rs 10.28 lakhs respectively in 1972-73. The net profit for 1973-74 amounted to Rs 38.71 lakhs after providing Rs 7.92 lakhs for depreciation. After setting apart Rs 6.32 lakhs for development rebate reserve and adjusting the loss of Rs 10.46 lakhs brought forward from the previous year, miscellaneous expenditure of Rs 8.88 lakhs capitalised earlier and other sundry adjustments, the available surplus amounted to Rs 10.30 lakhs, out of which Rs 10 lakhs has been transfered to the general reserve, leaving Rs 0.30 lakh to be carried forward to the next year's accounts. In view of the dividend restrictions, the directors have thought it prudent not to recommend payment of dividends for the year. Basic raw materials continued to be a problem for the company. By careful and judicious planning of purchase, production and marketing the company was able to achieve satisfactory working results during the year under report. Due to power rationing introduced in West Bengal since August 1974 the company is at present working five days in a week. As a safegurd against erratic power supplies, the company has arranged for the purchase of two generators.

Following the government's consent the company has entered into a priliminary collaboration agreement with Mitsubishi Corporation of Japan for the proposed Phthalic anhydride project. The company has also received letters of intent for the manufacture of cellulose acetate sheets and dimethyl formamide in the states of Gujarat and Maharashtra respectively. It has also decided to go in for the manufacture of catalysts for the production of Phthalic anhydride and similar chemicals in technical collaboration with an internationally well-known consultant. The proposals have already been submitted to the government. The company also hopes to receive shortly a letter of intent for the production of Nitrocellulose

OTTO India

OTTO India Private Limited, formerly known as Kalinga Otto Private Ltd came into existence on November 19, 1959. Initially, OTTO INDIA undertook tasks such as reractory lining for blast furnaces and hot stoves, electrical installation work for a pipe plant at Choudhwar, etc. Within a short period — 1959 to 1969—Otto India made spectacular progress and successfully executed major contracts for coking plants for Rourkela Steel Works, Durgapur Steel Works and for the Tata Iron & Steel Works, Jamshedpur. Otto India had also the privilege to provide the entire Indian supplies and services for the Naphtha Reforming Plant for Hindustan Steel Limited, Rourkela, and in association with WEDAG, a modern cyclone coal washery for the National Coal Development Corporation at Sawang, Bihar. The company has also been engaged by Bokaro Steel Works for the erection of machinery and equipment for its coke oven plants. Having gathered sufficient experience in the execution of contracts, Otto India, with the approval of the government of India in 1969, entered into a collaboration agreement with Dr C. Otto & Comp GmbH to undertake engineering services for coke ovens, byproduct plants, coke oven machines and coal and coke handling plants. Under this agreement, Otto India will receive from Dr C. Otto, a continuous flow of technical know-how in coking plant technology. Otto India will also get their personnel trained, free of cost, in Dr C. Otto's offices both in West Germany and other countries where Dr C. Otto have their subsidiaries. With the experience and knowledge gathered since inception, Otto India are today in a position to undertake on a turnkey basis, construction of coking plants with maximum utilisation of technology, materials, machinery and equipment, from the indigenous sources. At present Otto India together with Enginering Projects India Limited are engaged in the execution of an export order for supply of materials and equipments for a high capacity coke oven plant including coal and coke handling and by-product units at Sisak, Yugoslavia. Dr C. Otto and Comp are the main contractors for this project. Very recently Otto India have also made a headway by procuring an export order, against international competition, from Dr C. Otto, for detail engineering work for the same project. Having thus made a beginning both in engineering services and supplies, Otto India today are in a position to undertake more and more export orders of similar nature.

Phosphate Company

The working of Phosphate Co Ltd, during the year ended June 30, 1974 has resulted in a profit of Rs 38.44 lakhs. Out of the gross profit, the directors have appropriated a sum of Rs 6.06 lakhs to depreciation reserve, Rs 2,777 to development rebate reserve and Rs 19.70 lakhs towards taxation. After adjustments, there is a disposable surplus of Rs 17.25 lakhs which has been transferred to the general reserve The directors have recommended payment of dividend fo 43,312 equity shares of Rs 10 each at the rate of Rs 9.50 pe share. The dividend propose by the directors is the maximum permissible under th dividend ordinance. Durin the year the company's outpu of sugar phosphate and alum increased marginally to 46,21 tonnes and 4,302 tonnes respectively. But production o sulphuric acid declined t 22,085 tonnes due to irregula and inadequate allotment o sulphur by MMTC. In spite o the advantages by the use o balanced fertiliser in granulated form sufficient quantity o nitrogenous ingredients wer not allotted to the company by the government of Wes Bengal with the result, the production of granulated fertilisers went down further from 13,490 tonnes to 8,290 tonnes which is around 17 per cent of the installed capacity. Go slow tactics adopted by the labour during the first half of the financial year under review and interruptions in power supply had also affected production which otherwise would have been substantially higher. The production trend during the current year in spite of various constraints is being maintained and efforts are being made to increase it further. The company has secured an order for supply and installation of a complete sodium dichromate plant on turn-key basis.

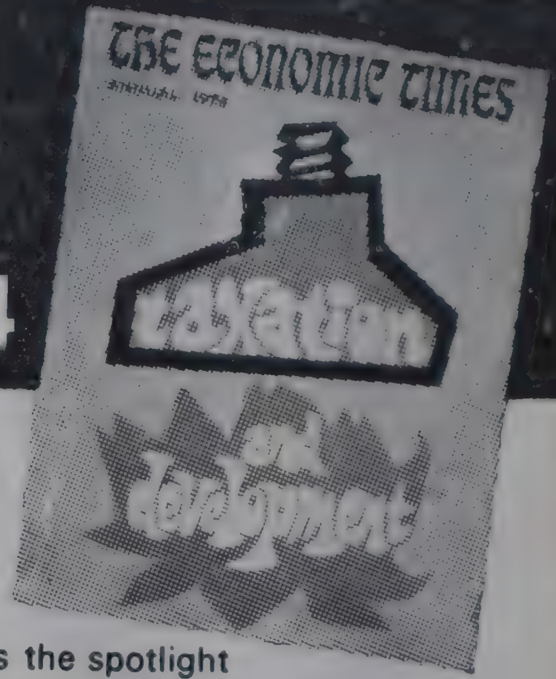
Calcutta Electric Supply Corporation

From the trend of things it appears that some medium and long-term programmes designed to bring about at least a partial solution to the power problems in the Calcutta area cannot be delayed further. The government is already seized of the problem and remedial measures are under the government's active consideration. The Calcutta Electric Supply Corporation, on its part will render such assistance and cooperation as it is capable of in this regard. Meanwhile he Corporation has reported hat its clear profit as com- uted under the Electricity Supply) Act 1948 was about s 115 lakhs short of the easonable return of Rs 222 akhs. Although this serious hort fall, relieved to the ex- ent of Rs 105 lakhs by the vithdrawal, with government's pproval, of that sum from the ontingencies fund, was due to he continued postponement, t government's request, of the mplementation of a compre- ensive review of the com- any's rates designed to bring he clear profit more into line vith the reasonable return. The government's concurrence vas received only in December, 973 and it was extended to the ncrease of its industrial rates lone. Such concurrence also llowed effective increase of ates other than for lights and ans from January 1974. The esult was that the corpora- ion's revenues was benefited luring the year by the rate evision to the extent of barely Rs 115 lakhs. A somewhat nodified version of the pro- osed increase in its rates for ights and fans has been imple- mented with effect from April, his year, — several months fter these proposals were first ut to the government. In the meantime the corporation's osts have continued to rise so hat, despite these recent in- reases in its rates, there will gain be, it is feared, a short- all in the current year. Hence further increase in its rates is ractically inescapable during he year 1975-76. These were ighlighted by the Chairman, Mr Sachindra Chaudhuri while ddressing the annual general meeting held in Calcutta ecently.

Premier Tyres

In his annual address to the hareholders of Premier Tyres .td. the Chairman Mr Chan- lrakant S. Desai has pleaded or relaxation of credit squeeze and supply of money wherever vailability of adequate finan- e would mean a rise in gross ational product. Although a eginning had been made by he government by a selective elaxation in credit controls,

THE ECONOMIC TIMES PRESENTS ITS ANNUAL 1974



TAXATION, INFLATION AND DEVELOPMENT

The Economic Times Annual this year turns the spotlight on problems of taxation, inflation and development. Experts examine various aspects of direct taxation and assess the impact of tax policies on investment, development and income distribution.

There are special studies bringing out the differences in personal taxation as between countries, the shifting of corporate taxation, the marginal utility of income and progression in taxation, problems of agricultural taxation, tax exemptions and concessions, inflation, tax evasion and black money.

An entire section is devoted to the concept of the value added tax and its relevance to developing countries like India.

D. K. Rangnekar
Inflation, Taxation and Black money

The Economic Times Research Bureau
Taxation and Investment

I. S. Gulati
Member, 6th Finance Commission
Tax Exemption of Personal Savings

Luigi M. Tomasini
Professor, Institute of Economic Research, Rome
Taxation and Income Distribution for Economic Justice in a Growing Economy

Branko Horvat
Professor of Economics, Institute for International Economic Studies, Belgrade, Yugoslavia
Anti-inflationary Taxation

Gian Singh Sahota
Professor of Economics, Vanderbilt University, Tennessee USA
Income Distribution, Marginal Utility of Income and Tax Progressivity

M. J. K. Thavraj
Professor and Head ot the Financial Management Unit, Indian Institute of Public Administration, New Delhi
and

Meena Gupta
Lecturer; Indian Institute of Public Administration, New Delhi
Tax Evasion and Economic Development

Benjamin Higgins
Vice-Dean for Research, University of Ottawa, Canada
Taxation, Trade-off Curves and Regional Gaps

V. D. Lall
The Economic Times Research Bureau
Who Bears the Corporate Income Tax in India ?

The Economic Times Research Bureau
Personal Taxation and Growth

Ved P. Gandhi
Senior Economist Eastern Africa Regional Office, World Bank Washington
Taxation of Agricultural Holdings : Reflections on Raj Committee Report

H. W. Singer
Professor, Institute of Development Studies, University of Sussex U.K.
Policies for Generating Employment in Under-developed Countries

The Economic Times Research Bureau
Taxable Capacity of the Agricultural Sector

R. Bertaux
Director–General, Ministry of Economics and Finance, France
The Concept of a Tax on Added Value

Alan A. Tait
Professor of Monetary and Financial Economics, University of Strathclyde, Glasgow U.K.
The Value added Tax : its relevance to India and other developing countries

PRICE: Rs. 12/-
PAGES 200.

the chairman said that it needs to be stretched so as to meet the genuine requirements of expanding industrial units and new undertakings at reasonable rates of interest. Such a step, the chairman observed, can not only stem effectively the tide of rising unemployment but also mobilise and put into productive use the vast manpower resources. The chairman also appealed to the government to have a second look at the steep increase in the customs and excise duties, particularly the latter, which is in most cases colleected *ad valorem* instead of on fixed tariff value basis. It is true that with rising costs the ex-works a *ad valorem* prices for excise purposes are going up and so is the quantum of excise duty. But with the steep cut-back in the availability of cash due to the anti-inflationary measures initiated by the government, it is feared that the current levels of excise duties, will be adversely affecting the purchasing power of the common man. Hence unless the situation is corrected immediately there is a strong possibility of the law of diminishing returns setting in the collection of excise duties because in the absence of a ready market for their products the manufacturers would resort to cut back on production. So if a corrective step is taken by the government, the manufacturers on their part can ensure lower prices to the consumer and maintain at the same time industrial output at capacity levels. The chairman also welcomed the government's step of selected decontrol of prices because the artificial spread between the prices realized by the manufacturers and those paid by the consumer only helped the middle man to create a parallel economy. The prolification of this step to other industries, in which the expansion of capcities has stayed frozen for want of adequate return, the chairman felt would help the consumer if price controls were removed and thus the climate is created for expansion of existing units and setting up of new manufacturing facilities in respective fields. Distribution controls at best have served to distribute shortages and encourage hoarding and exploitation of the consumer. So what is needed to counteract this tendency in the chairman's opinion is revolution of production to cover the escalation of consumption, which is possible only if adequate incentives are available to achieve this end.

The company continued to maintain its satisfactory progress, the value of production during the quarter July-September 1974 being more than doubled to Rs 9.83 crores as compared to Rs 4·29 crores in the same quarter of last year. The company will also by embarking shortly on its Rs 55-lakh project to manufacture 2500 tons of camel back and repair materials per annum while continuing the programme of substantial expansion of its capacity for manufacture of automotive tyres and tubes. The rupee resources for both these projects will be met largely from its own cash generation and retained earnings while the balance, including foreign exchange requirements, will be raised as term loans from financial institutions.

News and Notes

Deccan Sugar and Abkhari Company Limited is planning to raise resources for implementing its modernisation and expansion programmes which are estimated to cost about Rs 2.50 crores. There will be an issue of equity capital to the tune of Rs 34.86 lakhs to the existing shareholders on a right basis in the proportion of one share for every two shares held. Additional sums are also to be raised through loans from financial institutions and privately placed debentures. There will be an option to convert a part of the loans into equity shares between 1977 and 1979 at a premium of rupee one per share. Internal resources will also be available to some extent.

Devidayal Electronics and Wires Limited has launched the sale of its 12 digit business calculator "Deltroxi—2001" in eastern India. The future programme of the company's factory at Bangalore includes the manufacture of more advanced business calculators, fourth generation mini computers including central processing units, cartridge tape drive system and input-output display terminals with alphanumeric key board attachments. The company's investment in these projects is estimated at Rs 45 lakhs.

New Issues

Ramon Engineering Limited, a company promoted by Ramon group, proposes to diversify its manufacturing activity by setting up a moped factory at Aurangabad with an annual production capacity o 24,000 units. The two-speed gear, long single-seater vehicle, giving 40 km per litre run, is expected to be put into the market by the middle o 1975. The project is estimated to cost Rs 80 lakhs. Out of this around Rs 48 lakhs has been arranged by way of term loans, and subsidy from financia institutions and the government. Besides issued and subcribed equity capital of Rs 15 lakhs in equity shares Rs 15 lakh is being issued for cash at par to the public for subcription. The company hopes to achieve the target of producing 24,000 units in its fourth year of production. The sales, which will be around R 96 lakhs in the first year, will be stepped up to Rs 4.2 crores in the fourth year.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Vikram Mills	December 31, 1973	20.0	15.0
Same Dividend			
Woolcombers of India	December 31, 1973	12.0	12.0
Banarhat Tea Co	December 31, 1973	Nil	Nil
Machinery Manufacturers Corporation	March 31, 1974	Nil	Nil
Steel and Allied Products	June 30, 1974	Nil	Nil
New Maneckchock Spg & Wvg Co.	December 31, 1973	Nil	Nil
Polson	March 31, 1974	Nil	Nil
Reduced Dividend			
Balrampur Sugar	June 30, 1974	8.0	10.0
Jardine Henderson	March 31, 1974	Nil	4.0
Raghuvanshi Mills	March 31, 1974	8.0	12.0
Sitalakshmi Mills	June 30, 1974	12.0	20.0
Shree Madhusudan Mills	June 30, 1974	5.0	10.0

Licences and Letters of Intent

The following licences and letters of intent were issued under he Industries (Development and Regulation) Act 1951 during he weeks ended July 6 to July 27, 1974. The list contains the ames and addresses of the licensees, articles of manufacture, ypes of licences—New Undertaking (NU), New Article (NA); ubstantial Expansion (SE), Carry on Business (COB); Shifting —and annual installed capacity. Details regarding the letters f intent revoked, cancelled or surrendered during this period re also given.

Licences Issued

(During the weeks ended to July 6 and 12 1974)

Metallurgical Industries (Ferrous)

M/s Mohta Electro Steel Ltd; 59, Golf Links, New Delhi. (Bhiwani—Haryana)—1. Box Strapping —3,000 M.T. p.a., . C.R. Steel Strips—4,500 M.T. p.a. (excluding hoops)—(NU).

M/s Aravalli Ispat Ltd; R-12, Sahdev Marg, C-Scheme, aipur. (Alwar—Rajasthan)—Mild Steel Ingots; Electrode uality carbon Steels; Forgings quality carbon steels; hardening nd Tempering quality carbon steels; Carbon, Carbon-manga-ese & Silicon-Manganese qualities of spring steels, carbon ools; case hardening quality carbon steels; Free cutting quality arbon sulphur steels—9,000 tonnes p.a.—(COB).

M/s Bharat Electro Steel Ltd; F-7-A, Hauz Khas Enclave, ew Delhi. (Kolhapur—Maharashtra)—Mild Steel Ingots, lectrode quality carbon steels; Forgings quality carbon steels; old Heading quality carbon steel, Hardening & Tempering uality carbon steels, Carbon, Carbon-manganese and Silicon-nanganese qualities of spring steels, Carbon tools steels, ase hardening quality carbon steels, Free cutting quality Car-on-Sulphur steels—23,000 tonnes p.a.—(COB).

M/s Nationale Air Products Ltd; M.G.F. House, 17-B, saf Ali Road, New Delhi. (Alwar—Rajasthan)—Mild Steel ngots; Electrode quality carbon steels; Forgings quality car-on steels; Cold Heading quality carbon steels; Hardening & empering quality carbon steels; etc.—18,000 tonnes p.a.—COB).

Electrical Equipment

Shri Des Raj Aggarwal, 20/42, West Patel Nagar, New Delhi. Moradabad—UP)—1. Winding Wires upto 41 SWG—290 nnes p.a. 2. Winding Wires 42 SWG and thinner—50 ton-es p.a.—(NU).

M/s Paramount Conductors Ltd; 214, Bajaj Nagar, Nagpur. Nagpur—Maharashtra)—Copper Glass/Asbestos covered Vires & Strips—200 tonnes p.a.—(NU).

Shri Natvarsinh Kesari Singh, Talukdari Hostel, Nadiad, istt. Kaira (Ankaleshwar, Gujarat)—Winding Wires upto SWG—300 tonnes p.a.—(NU).

Industrial Machinery

M/s Vijay Tanks & Vessels Pvt. Ltd; Haji Adam Mansion, omji Street, Bombay-1. (Bombay—Maharashtra)—1. Mild teel Pressure Vessel for Chemical Industry. 2. Spheres for orage of Liquified Gases. 3. Auto Clave for Chemical Industry. Columns. 5. Heat Exchangers. 6. Stainless Steel Pressure essel for Chemical Industry. 7. Stainless Steel Cycloners for hemical Industry—1,100 tonnes p.a.—(SE).

Shri G.C. Lohia, c/o M/s Lohia Machines (P) Ltd; 73-A, azal Ganj, Kanpur-12. (Kanpur—UP) — 1. Crimping Machine—50 nos. p.a. 2. Assembly Twisting Machine—72 nos p.a.—(NU).

Miscellaneous Industries

The Association of the Physically Handicapped Training-Cum-Rehabilitation Centre, Hennur Road, P.O. Fraser Town, Bangalore. (Hennur Road, Bangalore—Karnataka)—1. Non-Ferrous Die-Cast Components for Automobile, Electrical and Instrument Industries—Rs 14,00,000 p.a. 2. Plastic Moulded Components for Automobile, Electrical and Electronic Industries —Rs 3,50,000—(NU).

Chemicals (Other than Fertilizers)

M/s Hindustan Zinc Ltd; 6-New Fatehpura, Udaipur. (Udaipur—Rajasthan)—1. Electrolytic Zince Metal—45,000 tonnes. 2. Sulphuric Acid—97,000 tonnes. 3. Cadium Metal—171 tonnes. 4. Phosphoric Acid—26,000 tonnes—(SE).

Dyestuffs

M/s Indian Dyestuff Industries Ltd; Mafatlal Centre, Nariman Point, Bombay. (Bombay—Maharashtra)—Vat Pigments—75 tonnes; Quinacridone Pigments —10 tonnes. Dioxazine Pigments—15 tonnes. Phthalecyanine Pigments—400 tonnes.—(Total: 500 tonnes) p.a.—(NA).

Drugs & Pharmaceuticals

M/s Ranbaxy Laboratories Pvt. Ltd; Okhla. (Okhla—New Delhi)—Nitrazapam Tablets—12.5 million nos p.a.—(NA).

M/s Merck Sharp & Dohme of India Ltd; New India Centre, 17-Cooperage, Bombay-1. (Maharashtra)—Radicyte Capsules —12 mill. nos.—(NA).

M/s Tamil Nadu Industrial Development Corporation Ltd; 150-A, Mount Road, Madras-2. (Madurai—Tamil Nadu)—Potassium Chlorate—1825 tonnes p.a.—(NU).

Paper & Pulp

The Secretary to the Govt. of Nagaland, Industries & Commerce Deptt., Kohima. (Tuli—Mukokchung, Nagaland)—1. Paper—33,000 tonnes. 2. Pulp—33,000 tonnes.—(NU).

Leather & Leather Goods

M/s M.M. Khalilullah & Co., 45, Vepery High Road, Periament, Madras. (Ambur—Tamil Nadu)—E.I. tanned Goat & Sheep Skins—25 lakh pcs. p.a., Finished Leather—6 lakh pcs. —(SE/NA).

Glass

M/s Uttara Khand Works Ltd; 1-Link Road, New Delhi. (Rai Bareilly, UP)—Glass Bottles—18,000 tonnes.—(NU).

Letters of Intent

(During the weeks ended July 6 & 12, 1974)

Metallurgical Industries (Ferrous)

M/s Guest Keen Williams Ltd; 3-A, Shakespeare Sarani, Calcutta-16. (Bangalore—Karnataka) IRN Clips & Clamps —4 lakhs sets p.a. Pandrol Rail Clips—40 lakh pcs. p.a.—(NA/SE).

M/s Madhya Pradesh Audyogik Vikas Nigam Ltd; 'A' Block, Old Secretariat, Building, Bhopal. (Madhya Pradesh)—Electrolytic Manganese —1,000 tonnes p.a.—(NA).

Drugs & Pharmaceuticals

M/s Chowgule & Co (Hind) Pvt Ltd; India House, Opp: GPO, Walchand Hirachand Marg, Bombay-1. (Bombay—Maharashtra)—Human Chorionic Gonadotropin—1 million Doses p.a.—(NA).

Textiles

M/s Swadeshi Cotton Mills Co Ltd; Swadeshi House, PO Box No 19, Kanpur. (Uttar Pradesh)—Cotton Towels & Towelling Cloth — 2074 looms after expansion by installation of 24 additional imported looms.—(SE).

Vegetable Oils & Vanaspathi

Shri B.K. Bhagat, 174, Chittaranjan Annexe, Calcutta-7. (Andhra Pradesh)—Cotton-Seed Oil (in terms of seed)—36,000 tonnes p.a.—(NU).

Leather & Leather Goods

Shri E.K.M. Abdul Gani, M/s EKMES Leathers Pvt Ltd; Thirunagar, Erode. (Erode, Coimbatore—T. Nadu)—Finished Leather —3 lakh nos—(NU).

M/s Srivathsa Industries, 20-C, Ormes Road, Kilpauk, Madras-10. (Ranipet, North Arcot, Tamil Nadu)—Finished Leather—6,00,000 nos p.a.—(NA).

Changes in Names (Owners or Undertakings)

(During the weeks ended July 6 & 12, 1974)

(Information pertains to particular licences only)

From M/s Spinning Accessories (P) Ltd; Calcutta. to M/s Kingsley Corporation (P) Ltd; Calcutta; from M/s Arlem Breweries India Ltd; to M/s Arlem Breweries Ltd; Goa.

Letters of Intent Revoked, Lapsed or Cancelled

(During the weeks ended July 6 & 12, 1974)

(Information pertains to particular letters of intent only)

M/s Rajiv Investment (P) Ltd; 120, Ansal Bhavan, 16-Kasturba Gandhi Marg, New Delhi.—Styroflex Capacitors & Gang Condensers—Cancelled.

M/s Laxman Electro Mechanical Private Ltd; 15/1, Asaf Ali Road, New Delhi—Lamp Making Machinery—Lapsed.

M/s Searsole Mining Industries (P) Ltd; 175-B, Rajpur Road, Dehradun.—Synthetic Cryolite & Aluminium Fluoride—Cancelled.

Shri R. Prasad, 6-Madan Street, Post Box No. 8885, Calcutta-13.—Nickel Cadmium Cells—Cancelled.

Shri H. Sankar, 5-Cathedral Road, Madras-6.—Hydraulic Equipment—Lapsed.

M/s Indian Sugar & General Engg Corpn Yamunanagar, Ambala.—Cast Iron Rolls, etc—Cancelled.

Licences Issued

(During the week ended July 20, 1974)

(Metallurgical Industries)

M/s Sterling Alloy Steels Limited, 229, Sant Tukaram
Iron Market, Bombay. (Alwar—Rajasthan)—M.S.
Electrode quality carbon steels; Forging Quality Carbon
Cold Heading quality carbon steels: etc.—18,000 tonnes
(COB).

M/s Metal Forging Pvt Ltd; B-1, Mayapuri Industrial
New Delhi. (Delhi —Union Territory)—M.S. Ingots;
trode quality Carbon Steels Forging quality carbon steels
Heading quality carbon steels; Hardening & Tempering
carbon steels,—9,000 tonnes p.a.—(COB).

Electrical Equipment

M/s International Electric & Lamp Caps Co., 304,
Road, Bangalore-26. (Bangalore—Karnataka)—1.
Caps—60 mill. nos. 2. Screw type caps—11 million
(NU).

M/s Voltas Ltd; 19-Graham Road, Ballard Estate, Po
No 1198, Bombay-5. (Thana—Maharashtra)—Electr
Precipitators—14 nos valued Rs 210 lakhs p.a.—(SE).

Industrial Machinery

M/s Ingersoll-Rand (India) Pvt Ltd; 44-Abdul Gaffar
Bombay-18. (Ahmedabad Gujarat)—1. 7"x5" ESH/ES
Compressors capacity 106 dft/Min at 100 paig discharg
sure—324 nos p.a.—2. 9½"x7 ESH/ESV Air Compressor c
200 dft/Min. at 100 paig discharge pressure—324 nos
(SE).

Miscellaneous Industries.

Shri Basudev Agarwal, 'Sunil Bhawan', Model Town
Road, Hissar. (Hissar—Haryana)—. 1 PVC Films/Shee
tonnes, 2. PVC Containers—870 tonnes. 3. Suppor
laminated PVC Products—8200 Kms—1500 tonnes.—(N

Drugs & Pharmaceuticals

M/s Pfizer Ltd; Express Towers, Nariman Point, Bo
(Chandigarh)—Chlorpropamide — 6.5 tonnes p.a.—(SE

M/s Southern Borax Ltd; 103, Poonamallee Hi
Kilpauk, Madras-10. (Madras—Tamil Nadu)—1. Borax—
tonnes. 2. Boric Acid—3,000 tonnes — (NU).

M/s Hoechst Pharmaceuticals Ltd; Ramon House,
Reclamation, Bombay—20. (Bombay—Maharashtra)
mide—1,200 Kgs. p.a.—(NA).

Textiles

M/s Sarangpur Cotton Mfg. Co Ltd; Amariwadi
Ahmedabad-8. (Ahmedabad—Gujarat)—Art Silk Fabr
looms purchased from M/s Mahalaxmi Mills Ltd—Annu
city after manufacture of a 'New Articles' (in both unit).
Textiles—1577 looms. Art Silk Fabrics—120 looms.—(

Sugar

Shri Venkateswara Co-operative Sugar Factory Lt
gunta. Distt: Chittoor, Andhra Pradesh. c/o The Distric
tor, (Cooperation), District: Chittoor, Andhra Pradesh

Chittoor, Andhra Pradesh)—Sugar 1,250 tonnes per day Cane Crushing Capacity—(NU).

Shri Bapusingh Mandloi, Chairman, Malwa Sahakari Sakkar rkhana Ltd; Barlai (Kshipra), Tehsil Sawer, Indore. c/o lore Premier Co-operative Bank Ltd; Indore). (Indore—dhya Pradesh) — Sugar — 1,250 tonnes of Cane Crushing pacity per day—(NU).

Rubber Goods

M/s Synthetics & Chemicals Ltd; New Great Insurance lg., 7-Jamshedji Tata Road, Churchgate Reclamation, mbay-20. (Bareilly—Uttar Pradesh)—Nitrile Rubber—2,000 nnes p.a.—(NA).

M/s Tamil Nadu Rubber Ltd; 110-A, Mount Road, adras—Tamil Nadu)—Automobile Tyres & Tubes—4,00,000 s. of each p.a.—(NA).

Cement & Gypsum Products

M/s Cement Corpn of India Ltd; 5-A, Bahadur Shah Zafar arg, New Delhi-1. (Mandhar, Raipur, MP)—Portland Blast rnace Slag Cement—18,00,00 tonnes p.a.—(SE).

Letters of Intent

(During the week ended July 20, 1974)

Industrial Machinery

M/s The National Federation of Corporation Sugar Factoes Ltd; L-8, South Extension Part-II, New Delhi (Mahashtra)—(i) Complete Sugar Plant—6, nos p.a. (ii) Boilers r captive purpose—12 nos. p.a.—(NU).

Chemical (Other than Fertilizers)

M/s Poddar Estates Ltd; Hong Kong House, 31, Dalhousie quare(s), Calcutta. (Not decided)—Electrolytic Manganese ioxide—1,500 tonnes p.a.—(NU).

M/s Gujarat Industrial Investment Corpn Ltd; 4th Floor, atraj Chambers, Ashram Road, Ahmedabad. (Baroda—Gujat)—Toluene Di-Isocynate—5,000 tonnes p.a.—(NA).

M/s Bhartia Engg Corpn, Pvt Ltd; IBI House, S-86, Andheri urla Road, Bombay. (West Bengal)—(i) Aniline — 3,000 nnes. (ii) Nitrobenzene—4,500 tonnes.—(NU).

Drugs & Pharmaceuticals

M/s The General Manager, Synthetic Drugs Plant, IDPL, yderabad. (Andhra Pradesh)—Sulphadimidine & its Salts 1000 tonnes p.a. Sulphacetamide & its salts—80 tonnes p.a. Sulamethazole — 12 tonnes. Barbiturates (Phenobarbitone and odium Phenobarbitone) — 30 tonnes. Phenacetin—400 tonnes . Analgin—400 tonnes. Piperazine & its salts—115 tons. Vitamin BI and its derivatives — 120 tonnes. Folic Acid 7.5 tonnes p.a. Sodium PAS — 400 tonnes. Vitamin B2 d Ribo flavine 5 phosphate sodium—24 tonnes p.a.—(SE).

M/s Chemical, Industrial & Pharmaceutical Laboratory Ltd; culla, Bombay-8. (Maharashtra)—Bulk Drug, Xanthinol cotinate LI & formulation thereof — 3 tonnes—(NA).

Textiles

M/s Vepee Wool Syndicate, PB No 183, Ludhiana. (Haryana) Knitted Fabrics of Manmade Fibre — Installation of 4 ur) warp-knitting machines corresponding to the total consumption of 80 tonnes of caprolactum or 40 tonnes of DMT per annum—(NU).

Leather & Leather Goods

M/s India Leather Tanning Corpn, 11/2, Harshi Street, Calcutta. (Calcutta-West Bengal)—Finished Leather —9 lakh nos.—(NU).

Licences Issued

(During the week ended July 27, 1974)

Metallurgical Industries (Ferrous)

Shri Mukesh Kumar, (M/s Alpna Steel Ltd.), c/o M/s Aminchand Bholanath, Tanda Road, Jullundur City. (Hoshiarpur —Punjab)—M.S. Ingots; Electrode quality Carbon Steels: Forging quality Carbon Steels; Hardening & Tempering quality Carbon Steels; etc.—30,000 tonnes p.a.—(COB).

M/s Mohan Steels Ltd; Kishori Niwas, Birhana Road, Kanpur. (Gazauli, Unnao, UP)—MS Ingots; Electrode quality Steels: Forging quality Carbon Steels; Hardening & Tempering quality Carbon Steels; etc—18,000 tonnes p.a.—(COB).

M/s Andhra Steel Corporation Ltd; 2-Brabourne Road, Calcutta. (Hoogly—West Bengal)—MS Ingots; Electrode quality Carbon Steels; Forging quality Carbon Steels; Hardening & Tempering quality Carbon Steels; etc.—35,000 tonnes p.a.—(COB).

M/s Shriniwas Steel Ltd; PO Bijoli, Dist Jhansi, UP. (Bijoli, Jhansi, UP)—MS Ingots; Electrode quality Carbon Steels: Forging quality Carbon Steels; Hardening & Tempering quality Carbon Steels; etc—9,000 tonnes p.a.—(COB).

M/s Bengal Arc Steel Ltd; 46-C, Chowringhee Road, (8th Floor), Calcutta. (Purulia—West Bengal)—MS Ingots; Electrode quality Carbon Steels; Forging quality Carbon Steels; Hardening & tempering quality Carbon Steels; etc—18,000 tonnes p.a.—(COB).

M/s Vidarbha Iron & Steel Corpn. Ltd; Jehangir Bldg; 133, Mahatma Gandhi Road, Bombay. (Nagpur—Maharashtra)—MS Ingots; Electrode quality Carbon Steels; Forging quality Carbon Steels; Hardening & Tempering quality Carbon Steels; etc—18,000 tonnes pa.—(COB).

Electrical Equipment

M/s Yashmun Engineers Ltd; Plot No A-69 & 70, Road No 22, Wagle Industrial Estate, Thana. (Thana—Maharashtra)—Water Heaters—1632 nos. Water Boilers—299 nos. Electric Sigree—20 nos. Boiler Pan—45 nos. Toasters—125 nos. Bain Maries—4 nos. —(COB).

M/s Morris Electronics (P) Ltd; Bhosari Industrial Estate, Poona. (Poona—Maharashtra)—Soft Ferrites—200 tonnes. Hard Ferrites—200 tonnes.—(SE).

Transportation

M/s Maruti Limited, Palam Gurgaon Road, Gurgaon. (Gurgaon—Haryana)—Passenger Cars—50,000 nos. p.a. (NU).

Industrial Machinery

M/s K.G. Khosla & Co. Pvt Ltd; 1-Deshbandhu Gupta

Road, New Delhi. (Faridabad—Haryana)—High Pressure Air Compressors below 100 cu.m.—100 nos. p.a.—(SE).

M/s Metal Perforation Pvt Ltd; G.P. Industrial Estate, PO Chhani, Baroda. (Chhani-Baroda—Gujarat)—Perforated Screens & Segments:—(i) Stainless Steel Perforated Screens (Oliver Filter Screens) —500 sets p.a. (ii) Pure Nickel Micro Screens—200 sets. (iii) Non-ferrous Sugar Machinery Screens —125 tonnes p.a.—(NU).

Chemicals (Other than Fertilizers)

M/s Standard Mineral Products Pvt Ltd; 49-Nagindas Master Road, Bombay. (Bombay—Maharashtra)—Carbaryl, Chordane Dust Endin, BHC, DDT, Malathion, Lindane, Toxaphene—350 tonnes.—(COB).

M/s Bhagwati Steel Pvt Ltd; 67, Park Street, Calcutta. (Liluah—West Bengal)—Oxygen—3,24,000 cu. mtrs.—(COB).

M/s Industrial Gases Ltd, 5, Ganesh Chandra Avenue, Calcutta-1. (Gauhati-Assam)—Oxygen—1,90,000 c,m. Dissolved Acetylene—50,000 cm.—(COB).

M/s Industrial Gases Ltd; 15-Ganesh Chandra Avenue, Calcutta-1. (Lucknow—UP)—Oxygen—2,50,000 cm. Dissolved Acetylene—55,000 cm.—(COB).

M/s Industrial Gases Ltd; 15, Ganesh Chandra Avenue, Calcutta. (Varanasi—UP)—Oxygen—3,60,000 cm. Dissolved Acetylene—60,000 cm.—(COB).

Drugs & Pharmaceuticals

M/s Tamil Nadu Industrial Development Corpn Ltd; 150-A, Mount Road, Madras. (Madurai, Tamil Nadu)—Potassium Chlorate—1825 tonnes p.a.—(NU).

M/s German Remedies Ltd; Shiv Sagar Estate, A-Block, Dr Annie Besant Road, Worli, Bombay. (Andheri-Maharashtra) (1)—Ampoules—1 mill. nos p.a. (2) Tablets—12 mill. nos p.a. (3) Drops—1,250 litres—(NA).

Textiles

M/s Rajindra Dyeing & Printing Mills Ltd; Calico Mills Premises, Ahmedabad-22. (Ahmedabad—Gujarat)—Processing of Textiles—62,30,000 metres p.a.—(COB).

Glass

M/s Bottle Glass Ltd; 2-E/22, Jhandewalan Extn., New Delhi. (Ghaziabad—UP)—Glass Bottles—18,000 tonnes.—(NU).

Letters of Intent

(During the week ended July 27, 1974)

Metallurgical Industries (Ferrous)

Shri Amarjit Dhull, D-2, Focal Point, Dhandari Kalian, Ludhiana. (Ludhiana—Punjab)—Steel Forgings—4,550 tonnes p.a.—(NU).

M/s Vandna Steels & Alloys Ltd; E/2, Jhandewalan Extention, New Delhi. (Patiala—Punjab)—Alloy Iron including High Duty Castings—1,000 tonnes p.a. (ii) S.G. Iron Castings—1,000 tonnes—(NU).

Electrical Equipment

Shri Govind Das Daga, 5, Temple Road, Civil Lines, Nagpur-1. (Maharashtra)—Styroflex Capacitors 10 million p.a.—(NU).

M/s Karnataka Capacitors Manufacturing Corpn., 195, Palace Upper Orchards, Bangalore, Styroflex Capacitors—100,00,000 nos p.a.—(NU).

Telecommunications

M/s Elcar Corporation, 229-New Market, Chickpet, lore. (Bangalore—Karnataka)—Carbon & Metal Fil sistors—200,00,000 nos p.a.—(NU).

Industrial Machinery

Shri P. Chengal Reddy, M-I-53/I, Sanjeeva Reddy Hyderabad. (Andhra Pradesh)—Grinding Wheels—1,0 nes p.a.—(NU).

Miscellaneous Industries

Shri Prakash Khemka, 20-A, Camac Street, Calcutta. chi-Bihar)—Rock Roller Bits—3,000 tonnes p.a.—(NU).

Shri B.P. Bhardwaj, 67, Park Street, Calcutta. (K Nadia—W-Bengal)—Hand Tools—3,000 tonnes p.a.—

Commercial, Office & Household Equipments

Shri Surinder Kumar No, 3, Kotla Road, New (Faridabad—Haryana)—Electrically operated Adding cuting Machines—30 000 nos p.a.—(NU).

Chemicals (other than Fertilizers)

M/s Gujarat Industrial Investment Corpn Ltd; Natraj bers, Ashram Road, Navrangpura, Ahmedabad. (B Gujarat)—Cyanide Salts from Hydrocyanic Acid Gas supplied by M/s I.P.C.L.—1,500 tonnes p.a.—(NU).

Drugs & Pharmaceuticals

Shri A.M. Raja, 12-First Main Road, CIT Colony pore, Madras. (Ranipet, North Arcot, Tamil Nadu) Sodium—80 tonnes p.a.—(NU).

Vegetable Oils & Vanaspathi

M/s Seth Oil Mills Pvt Ltd; Kashmir Road, Amritsa (Amritsar—Punjab)—Cotton S ed Oil—30,000 tonnes.—

Changes in Names (Owners or Undertaki

(During the week ended July 27, 1974)

(Information pertains to particclar licences only

From Shri P. Kumar, Poona to M/s CTR Manuf Industries Ltd; Poona.

From M/s Maharashtra Sugar Mills Ltd; Bombay-1 Tilaknagar Distilleries & Industries' Ltd; Bombay.

From M/s Gujarat Industrial Investment Corporati New Delhi to M/s Gujarat Alkalies & Chemicals Ltd; N

Letters of Intent Revoked Lapsed or Surre

(During the weeks ended July 27, 1974)

(Information pertains to particular letters of intent

The Palamau Cement Co., 14, Hare Street, Calc Cement—Lapsed.

M/s Lynx Machinery Ltd; 2-Ring Road, Lajpat New Delhi—Cylinder Heads, Crankshafts, etc—Lapse

RECORDS AND STATISTICS

RBI's report on currency and finance

'HE RESERVE Bank of India in s "Report on Currency and 'inance" for 1973-74 has ruled ut a general relaxation of redit or incurring of large udget deficits. The impetus › industrial investment, ac- ording to the report, has to be n terms of controlled additions › outlays in such specific reas as agriculture, fuel and ower, fertilisers and public ransport. It has called for the ep-up of production mainly hrough raising real resources. he summary of the report is ven below:

ssessment and rospects

The severe pressure on prices uring the year 1973-74 (July- une), which occurred in the ntext of an improvement in mestic output and a decline monetary growth rates, was idence basically of the conti- ing inadequacy of domestic oduction relative to aggre- te demand. The effect of is shortfall was enlarged by stributional break-downs, st-push factors, international ends and an inflationary psy- osis. The climate was such to encourage the holding of mmodity stocks and current nsumption at the cost of vings, as also agitation for crease in wage compensation.

In recentmonths, however, ere has been a break in expectations, and fears of a demand recession are now being voiced. A number of firm steps taken by the government and the Reserve Bank have had the effect of checking the spiralling of costs and prices. Concurrently, the emergence of consumer resistance to higher prices in several domestic markets and declines in international prices hve led to a revision of price expectations. In the event, despite a somewhat disappointing *Kharif* crop, agricutural commodity prices have eased in several markets. In respect of industrial products, there has been some unintended accumulation of stocks and some downward adjustment in prices. The existing situation is one wherein fears of a recession coexist with fears of continuing inflation.

It is necessary to emphasise that the recent changes have been more in price expectations than in actual prices, particularly at the retail level. There have been some reductions in prices from the peaks reached earlier in the year. But even these reductions have not yet been fully passed on to the consumer. Given the relatively poor performance of the agricultural sector in the current *Kharif* and the continuing bottlenecks in power and transport, the principal characteristic of the economy thus remains inflationary. There has, however, been some slackening of demand for industrial goods mainly as a consequence of restraint in public expenditure, especially during the last twelve months.

The fears in the business community of an impending recession arise essentially from the difficulties experienced in certain specific markets. Conditions of stagnant or declining demand have been evident in the case of capital and intermediate goods such as iron and steel, construction materials, machinery and transport equipment. Among consumer goods, the most concern has been expressed by the cotton textile industry and industries producing durable consumer goods. The adjustment so far has been in the form of accumulation of stocks of finished goods and of trade dues, rather than any significant cut-back in production or prices. While this may have added to financial stringency at the level of individual units, the reduction in individual demands have not cumulated in such a way as to constitute a spiral of falling demands and falling incomes.

The problem of price inflation is also to be attributed, in a wider context, to the longer-term factors of low investment and low production particularly in the public sector. Besides creating supply shortages in certain basic industries and in infrastructural facilities, the low level of public investment has meant underutilisation of capacity in some basic and capital goods industries in the private sector. This implies that both inflation and recession have apparently to be combated through a proper modulation of investment expenditure in the economy. While a better organisational set-up and more cordial labour relations may improve the utilisation ratio in certain areas, these measures can obviously constitute only part of the solution. Over a period of years, the problem has to be tackled both through an increase in aggregate investment and through shifts in the product-mix of industries, particularly engineering industries.

As in 1966-67, recessionary expectations in the economy thus seem to be the consequence of two inter-related factors: steep rise in commodity prices and decline in investment outaysl. While the price increase has reduced the real value of current money incomes, the reduced investment has meant a slowing down in the generation of new employment and new money incomes. Slackness in real investment in the economy is a concomitant of high prices, especially of wage-goods. Hence any policy of reviving industrial investment and generating additional employment in the country has to be linked to an abatement of both actual and anticipated price increases. In other words, any policy-induced increase in expenditure has to be predicted on the stipulation that it will contribute to larger output and *not* to higher prices. Under prevalent conditions, this stipulation rules out the adoption of a generalised monetary reflation through relaxation of credit or incurring of large budget deficits. Stimulation of investment has, instead, to be in terms of controlled additions to outlay in specific cases, particularly in such priority areas as agriculture, fuel and power, fertilisers and public transport.

In formulating domestic policies for stimulating investment, it is necessary to keep in view the need to raise additional *real* resources. There is scope for raising resources from public undertakings through improved operational efficiency and capacity utilisation in both central and state government sectors. There is, as in respect of Railway finances, scope for re-examining the burdens of subsidy and reducing them wherever possible. Further, potential resources from the agricultural sector remain to be fully tapped. There is thus the possibility of supporting additional investment with additional resources mobilisation.

In shaping domestic policy, due note has to be taken of the considerable slowing down of the rate of growth in output in a number of countries which constitute markets for Indian exports. These recessionary trends might not, on current assessment, last much beyond 1975, considering the awareness shown by the developed countries to resist any major increase in unemployment. Some of the developed countries such as the USA have already adopted measures to reflate their economies selectively and arrest the recessionary trends. Since India's foreign trade constitutes a relatively smaller proportion of gross national expenditure than is the case with the European countries or Japan, the effect of these world trends on the Indian economy should also be less severe. Even so, it is clear that a fall in world income will, sooner or later, adversely affect our exports and thereby our capacity to import essential items such as food, fertilisers and oil the prices of which have increased considerably.

However, since the prices of some of the industrial raw materials such as non-ferrous metals and fibres are experiencing a downtrend in world markets, our import bill should benefit somewhat. Import payments in respect of machinery and equipment and steel could also be marginally smaller, because of reduced prices or reduced quantity. Trade with countries in eastern Europe is unlikely to be affected by the recessionary conditions of western economies. A mild form of recession is also not likely to affect adversely the expected flow of aid from both multilateral and bilateral sources. However, even if the imports of crude oil and petroleum products are limited to current levels, some special arrangements for financing them will be required. Provided such arrangements can be worked out for oil imports, aid and export receipts should make it possible for other imports to be maintained at more or less existing levels in the immediate future.

In fine, when considered in a wider setting, the current economic problems seem to be mainly those of overcoming the challenges thrown up by internal developments. The response to these challenges has to be principally in internal policies. While concerted action will be necessary to increase exports as much as posible, the major thrust of policy has clearly to be in the direction of raising real resources for a step-up in domestic investment and production.

General Trends in Economy

National Income, Saving and Investment

National income at 1960-61 prices went up by 4.0 per cent during 1973-74 (tentative estimate by RBI's Department of Statistics), against 0.4 per cent in 1972-73, 1.7 per cent in 1971-72 and 4.2 per cent in 1970-71. The growth of income is attributed to the substantial increase in agricultural production. Depending on the growth rate taken for 1973-74, the average annual rate of growth of national income in real terms for the fourth Plan period may be in the range of 3.1 to 3.5 per cent, as against the targeted growth rate of 5.7 per cent.

Total domestic saving in the economy at current prices is estimated to have increased by Rs 666 crores or 15.4 per cent in 1973-74, as compared to an increase of Rs 253 crores or 6.2 per cent in the previous year. Even so, the increase in domestic saving is not commensurate with the estimated increase of 27.5 per cent in money incomes partly due to a rise in real income but mainly because of a sharp spurt in commodity prices. As a result, domestic saving as a proportion of net national product at current prices declined from 11 per cent in 1972-73 to 10 per cent in 1973-74.

Domestic investment as a proportion of national income would have been lower (10.8 per cent) in 1973-74 than in 1972-73 (11.8 per cent), the rate of growth in investment being slower than that in national income. The share of domestic saving in total investment rose from about 89 per cent in 1971-72 to 93 per cent in 1973-74. Correspondingly, the share of foreign resources in total investment fell from 11 per cent to 7 per cent.

Production

Foodgrains production in
1973-74 is estimated at
107.5 million tonnes, as
the original target of 1
lion tonnes and the fin
mate of 95.2 million to
1972-73 and 105.2 milli
nes in 1971-72. The out
all the key commercia
—raw jute, raw cotto
seeds (particularly
nuts), sugarcane and
were higher, some of th
jute and oilseeds quit
tantially. While coffee
was at the last year'
output of tobacco was
The overall industrial
remained stagnant duri
and the partial data a
for the first half or so
point to a further deteri

The average index o
trial production (crude
1960=100) for 1973 s
negligible rise of 0.7 p
against a rise of 7.1
in 1972 and 2.9 per
1971. The index for
quarter of 1974 recorde
ginal increase of 0.2
over that for the cor
ing quarter of 1973. T
nation in industrial
except for the capita
sector has been due

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ive impact of short- d bottlenecks in a few sectors, viz. steel, non- metals, coal and petro- products, power and t. The average annual rate for the entire Plan period works out at 4.0 per cent which han half of the target 10 per cent envisaged plan. This shortfall is particularly in crucial like coal, iron and steel, aluminium, Rail- agons, caustic soda, h, fertilisers, paper and products, cotton spin- d many others.

ment

growth of employment organised industrial public and private to- slackened during 1973- actual growth rate for ecember 1973 works .5 per cent, against 3.1 t for April-December During 1972-73 as a the growth rate at 4.1 t had shown a signi- mprovement over that cent) in 1971-72, due lative rise in industrial ent. As an indicator ing unemployment, the of applicants on the sters of employment es expanded by 10.0 t from 75.96 lakhs in 973 to 83.54 lakhs in 74. There was a sharp in the number of edu- nemployed from 26.00 June 1972 to 35.29 June 1973. The pro- to provide jobs for lakh educated un- d, launched during has provided em- t to over quarter mil- ons so far.

nd Cost of Living

some narrowng of ve divergence between and supply — both ggregative level and key commodity sec- nflationary pressures l unabated during the cting the cumulative of monetary demand r the past few years, e of inflationary psy- and all round cost escalations in the wake of unprecedented rise in international oil prices. Price increases were thus very large, very rapid, persistent and all pervasive.

The Economic Adviser's General Index (base: 1961-62=100) reached 308.9 at end-June 1974, a rise of 27.9 per cent over the index a year ago, on top of the 21.5 per cent rise in the preceding year (July 1972-June 1973). The index was 198.8 two years ago (June 1972); it advanced by 42.7 points to 241.5 in June 1973 and further galloped by 67.4 points to 308.9 in June 1974, recording an expansion of 55 per cent in the course of two years — on an average 2.3 per cent per month. There has not been any respite since then. The index had reached 319.8 by October 26, 1974. In conformity with the trends in wage goods prices, the all-India consumer price index for industrial workers (base: 1960=100) went up continuously from 233 in June 1973 to 301 in June 1974, recording a rise of 29.2 per cent, against 15.9 per cent in the comparable period of 1972-73. The index for urban non-manual employees spurted by 21.3 per cent, against 11.6 per cent.

Money Supply

Money supply increased by a lower rate of 14.3 per cent (Rs 1,425 crores) during 1973-74, against 16.9 per cent (Rs 1,439 crores) in 1972-73. Likewise, the growth rate in aggregate monetary resources was lower at 15.3 per cent (Rs 2,362 crores), against 18.9 per cent (Rs 2,454 crores). The lower rates of expansion are attributable to some slow-down in the expansion of monetary aggregate in the latter half of the year in the wake of measures taken by government to reduce its dependence on borrowings from the banking system. There was also considerable slackness in the growth of time deposits in the second half of the accounting year. During the first seven months of the current fiscal year (March 29 to October 25, 1974), money supply rose by just 1.9 per cent (Rs 206 crores), as against the rise of 5.5 per cent (Rs 516 crores) in the corresponding period of last year.

Banking Trends

The year 1973-74 (July-June) witnessed a severe constraint on the resources of commercial banks, in contrast to the comfortable liquidity position during 1972-73. This may be attributed mainly to the interaction of three factors: first, the accelerated demand for bank credit from the priority and essential sectors like food procurement operations, public sector undertakings and exports, the last having assumed added importance in the context of the oil crisis; second, the relatively slower pace of growth in deposits; and third, the deployment of several monetary weapons by RBI, including a virtual quantitative ceiling on banks' borrowings from RBI, with a view to further tightening of credit.

The stresses and strains on the resources position of the banking system were also reflected in the behaviour of the call money market which remained extremely tight almost throughout the year, with the call rate reaching unprecedented heights. During the year, scheduled commercial bank credit (excluding bills rediscounted with RBI) registered a large expansion of Rs 1,321 crores (20.6 per cent), against Rs 932 crores (17.0 per cent) in 1972-73. In contrast, the pace of deposit accretion during the year was substantial lower at Rs 1,470 crores (16.0 per cent), against Rs 1,555 crores (20.4 per cent).

Credit Policy

As the monetary and prices situation underlined the need for maximum credit restraint, the Reserve Bank adopted several measures during the year with a view to further tightening the credit policy—both selective and general. The accent of these measures has been on curtailing the lendable resources of banks, raising the cost to banks of both borrowing from RBI and of deposits from the public, and finally raising the cost to borrowers of banks. while the measures helped to effect a certain measure of restraint and achieved dispensation of credit broadly in line with priorities, they nevertheless required to be reinforced alongside various governmental measures undertaken to deal with serious inflationary problems facing the country.

On July 4, 1974, the Bank issued instructions to all major scheduled commercial banks that they should watch the accounts of the fifty biggest borrowers of each bank. On July 22, 1974, a package of credit measures was announced in a determined effort to further contain the expansion of bank credit. The Bank Rate was stepped up by two percentage points to a record 9 per cent effective from July 23, 1974. Simultaneously, the rates of interest on loans and deposits of commercial banks were levered up. While the net liquidity ratio (NLR) relevant for purposes of determining the cost of borrowing from RBI continued at 40 per cent, the maximum rate chargeable by RBI was increased from 15 per cent to 18 per cent.

The credit policy for the 1974-75 busy season lags emphasis on the need to contain inflation and simultaneously to deploy credit for sustaining investment, augmenting production and facilitating better distribution of essential commodities. The minimum statutory balances to be kept by banks with RBI would be reduced by one percentage point from 5 per cent to 4 per cent of the total demand and time liability in two stages between December 14 and 28. The minimum net liquidity ratio relevant for lending by RBI at Bank Rate will be reduced from 40 per cent to 39 per cent with effect from December 28. A striking change in policy is that rediscount facilities would be available upto a fixed quota and any rediscount facilities to be availed of by a bank in excess of the quota would be subject to Bank's discretion and that such additional facility will bear rates of interest ranging from 10 per cent upto a maximum of 15 per cent.

Rural Credit

The major policy changes in the field of co-operative credit introduced during the year were aimed at (*i*) linking the availability of concessional finance with the extent of deposit mobilisation by central cooperative banks with a view to making them more self-reliant; (*ii*) providing increased credit on relatively soft term and better facilities to small and economicallly weak farmers in order to remove disparities between the different categories of farmers (*iii*) reducing regional imbalances in the availability of credit through reorganising and strengthening the cooperative credit structure wherever required; (*iv*) rationalising and simplifying further the rules and procedures so as to ensure a smooth flow of credit; and (*v*) removing a major constraint in the way of eligible institutions seeking refinance from ARC through an amendment to the Agricultural Refinance Corporation Act.

Budgets

The combined overall deficit of central and state governments during 1973-74 was Rs 495 crores, as against the revised estimate of Rs 861 crores (budget estimate was Rs 289 crores). The smaller deficit was due to economy measures and improvement in receipts. For 1974-75, the original budgets of central and state governments had envisaged an overall deficit of Rs 106 crores. However, after reckoning the centre's second finance bill, supplementary demands for grants, estimated additional dearness allowance payable to central government employees, and cut in expenditure reported to have been effected in Plan and non-Plan heads, the combined deficit amounts approximately to Rs 243 crores. Aggregate receipt increased by 11.1 per cent during 1973-74 as compared with 1972-73.

Tax receipts rose by 12.7 per cent and capital receipts by 9.3 per cent. Total tax revenue as a proportion of national income (at current prices) in 1973-74 was lower at 14.6 per cent, against 16.5 per cent in 1972-73. This reversed the trend observed subsequent to the year 1967-68 and upto 1972-73 when the proportion of total tax revenue to national income (at current prices) had risen gradually from 12.1 per cent to 16.5 per cent.

One reason for this phenomenon was that, whereas a substantial part of the increase in national income in 1973-74 originated in the agricultural sector, no significant measures were taken by the state governments to tap agricultural incomes through taxation. Aggregate disbursements in 1973-74 were higher by 10.2 per cent, development outlay rising by 13.4 per cent, non-developmental outlay by 9.5 per cent. The rise in non-developmental outlay, which was about twice the anticipated increase of 5.0 per cent, was due to the Third Pay Commission's recommendations and rise in cost of living index.

Public Debt

The outstanding public debt of the government of India stood at Rs 17,056 crores at the end of March 1974; it is expected to rise to 18,411 crores at the end of March 1975. Public debt as a proportion of national income (at current prices) rose from 42.3 per cent in 1971-72 to 43.5 per cent in 1972-73, but declined to 34.4 per cent in 1973-74, due to a larger increase in national income in money terms and almost negligible growth in public debt during the year. The outstanding debt liabilities of state governments rose by Rs 1,050 crores (9.9 per cent) during 1973-74 to Rs 11,621 crores at the end of March 1974. The liabilities of states are expected to rise further to Rs 12,450 crores at the end of March 1975.

Capital Market

The overall magnitude of investment in the private corporate sector was somewhat higher during 1973-74 than in 1972-73. Of the three major sources of investible funds for fresh investment (net of depreciation provision), fresh share and debenture capital raised from the market fell by 15.3 per cent, from Rs 133.90 crores in 1972 to Rs 113.4 crores in 1973 and the retained earnings of companies were significantly lower. These declines were, however, offset by a sharp increase of Rs 77.30 crores to Rs 253.30 crores in total disbursements under direct assistance by termlending institutions. The number of new capital issues no doubt rose from 137 in 1972 to 190 in 1973 in view of the large number of small issues, but the total amount of capital issued declined from 98.1 crores to Rs 74.4 crores. The liberal licensing policy seems to have paved the way for a number of small companies to enter the capital market.

The investment programmes of public sector have an impact on the industrial investment in the private sector. The capital formation expenditure under the head 'industry' met out of the budgetary resources of the central government shrank from Rs 643.70 crores in 1972-73 to Rs 595.20 crores in 1973-74. The total capital expenditure under the Railway Development Programme also declined from Rs 351.50 crores to Rs 324.20 crores.

Foreign Trade

India's visible balance of trade turned adverse with a sizeable deficit of Rs 438 crores during 1973-74 (April-March), in contrast to the surplus of Rs 103 crores in 1972-73. Such a sharp adverse swing despite an impressive increase in exports was the result mainly of large imports of foodgrains at high prices and a more than four-fold increase in international oil prices. The increase during the year in food and oil imports together acco little over 70 per c increase in aggrega While the impact o prices was felt on during 1973-74, th forebodes severe st country's foreign resources and pose challenge to its expo tion and import s efforts. Total exp 2,483 crores durin showed an impres 26 per cent on top crease of 23 per cent Imports at Rs 2. showed a sizeable 56 per cent over t 1972-73.

Balance of Payment

Three major adve imposed a heavy the external paym count, namely, imports of foodg abnormally high i prices at which the ports along with th lisers and non-fer had to be undertak four-fold increase prices. No doubt, t ment in exports, million-tonne whe Soviet Russia and payments arrange tiated early in 197 of a portion of c needs, helped to c of the payments d

An export c drawing of Rs 62 made in February ed by the drawing tranche of Rs 72. months later and of the first credi Rs 220.3 crores i With these drawal exchange reserve 244 crores to Rs during the year 1974; they had Rs 38 crores in t year. Excluding t of Rs 355 crore and the appreci rupee value of on account of ch change rates the r show a decline of in 1973-74.Since upto end-Septem reserves have reg ther decline of

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